

**Basking in Reflected Glory:
Symbolic and Substantive Implications of Winemaker Mobility**

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Do organizations bask in the reflected glory of their affiliations with prominent others independent of substantive reasons for doing so? The movement of a skilled winemaker from one winery to another may have both substantive and symbolic effects on the hiring winery. If a newly-hired winemaker's prior employer is a particularly prominent, or visible, winery then the hiring winery is likely to receive increased market attention even before the new winemaker has a chance to influence the quality of wine produced at the hiring winery. Leveraging an idiosyncratic feature of wine production (i.e., a variable time lag between the production and release of a wine), we identify a clearly symbolic effect of winemaker mobility that is independent of any substantive effects. Analyzing the quality scores and prices of wines made by 65 wineries in the three years before and after a hiring event, we find that hiring from a prominent winery has negligible effects on wine quality but a positive effect on wine price – even for wines made and bottled prior to the winemaker's arrival. These results suggest that organizations do indeed bask in the reflected glory of prominent affiliates. Implications for research on the substantive and symbolic effects of inter-organizational affiliations are discussed.

Movement of a skilled employee from one organization to another creates an indirect affiliation between the hiring organization and the former employer. Research on the network transmission of status suggests that such affiliations can have both resource access (i.e., substantive) and signaling (i.e., symbolic) implications for the hiring organization (Podolny 2005). Substantively, the individual serves as a conduit through which experience, knowledge and other resources flow from the former employer to the hiring organization enabling the hiring organization to achieve important outcomes like improved product quality. Symbolically, the indirect organizational ties that come with employee mobility lead audience members (e.g., customers and critics) to update their assumptions about the hiring organization's prospects for high quality outcomes. For example, both Meyer and Rowan (1977, pg. 332) and Stinchcombe (1990, pg. 322) suggested that hiring a Nobel Prize winner brings ceremonial benefits to a university. More generally, Pfeffer (1981, pg. 22) proposed that "one of the important ways of generating external support ... [is] through identification of the organization with socially valued and accepted individuals, institutions, and methods of operation."

Consistent with this symbolic effect, social psychological research based in balance theory suggests that individuals will tend to 'bask in the reflected glory' (*BIRG*) of associations with successful others (Cialdini et al. 1976). That is, mere affiliation is sufficient cause for individuals to publicly proclaim their affiliations with successful others. Moreover, this *BIRG* phenomenon occurs even when associations are seemingly irrelevant to the referenced successes. The Cialdini *et al.* (1976) studies showed a heightened propensity for college students to wear their school's athletic apparel and stake claims to their team's victories (i.e., "we" won) even though the students played no part in the previous weekend's game. Similarly, Kilduff and Krackhardt (1994) showed that an employee's reputation for performance is enhanced by the employee's perceived (but not actual) friendships with prominent organizational members. In other words, perceptions of an individual's affiliations, and not necessarily the affiliations themselves, enhance others' beliefs about an individual's quality.

These studies demonstrate that the symbolic effects of the *BIRG* phenomenon are common and capable of transcending levels of analysis (e.g., school-to-student or organization-to-individual).

Moreover, the emphasis on irrelevant affiliations also suggests separability between the symbolic and substantive effects of affiliation: evaluations and assessments of others may be enhanced even in the absence of actual performance improvements attributable to the affiliation. Despite ample evidence of the *BIRG* phenomenon at the individual level and a large body of work on the symbolic effects of affiliation at the organizational level, the symbolic and substantive effects of affiliation on organizations have not yet been distinguished empirically. The reason that isolating these effects has proven problematic is that they tend to occur simultaneously and also tend to generate similar predictions about the relationship between affiliations and the overall performance of the focal organization. However, there have been a few attempts to do so. Podolny (2001) showed that status-rich networks, which are relevant for signaling purposes, are more beneficial in segments of the venture capital market where consumers face severe information problems. Networks rich in structural holes, which are more relevant for resource access, are more useful in segments where producers face severe information problems. Although identifying both symbolic and substantive effects of organizations' affiliations on investment behaviors, no explicit link was made to performance. In a study of how strategic alliances influence new firm growth, Stuart (2000) identified effects of alliances on growth attributable to both enhanced resource access and reputation signals but was unable to isolate the individual effects of each. Isolating the symbol from the substance would, therefore, greatly enhance our understanding of the mechanisms by which organizational affiliations condition organizational performance.

In this paper, we apply the *BIRG* insights to the wine market and leverage an idiosyncratic feature of this market to isolate the purely symbolic (i.e., plausibly 'irrelevant') from the substantive effects of winemaker mobility on wine price and quality. In order to improve wine quality *and* to influence market perceptions which factor into valuations and therefore prices (Roberts and Khaire 2008), wine producers rely on the contributions of skilled winemakers. Given their actual and assumed importance, competition for talent is strong and there is considerable winemaker mobility across producers. That there might be performance consequences associated with these hiring events has been recognized by wine industry professionals. Consider the following remarks from wine critic Matt Kramer (2001):

“two forces are at work. One is the public's notion that the winemaker is all-important. If someone makes a swell wine here, then transferring his or her name to 'there' seemingly guarantees comparable success;”

“if a new or struggling winery wants to attract critics' attention, then sign - if they can - the likes of Michel Rolland or Helen Turley. And boom! They're on the map.”

Every mobility event creates an indirect affiliation between the winemakers' current and former employers. Analyzing the implications of winemaker mobility affords an unusual opportunity to disentangle the symbolic from the substantive effects of these indirect affiliations. This opportunity stems from an interesting feature of the wine industry related to the timing of published wine reviews. More specifically, there is a variable time lag between a wine's vintage year (i.e., the year in which the grapes from which it is made are harvested) and the year in which that wine is reviewed. Of the roughly 33,000 reviews of red wines published in either the *Wine Spectator* or Robert Parker's *Wine Advocate* between 1992 and 2005, 74 percent had spent either two or three years in the bottle before being released and reviewed (see table 1). For white wines, roughly 82 percent of the reviewed wines are reviewed in the two years following vintage.

Table 1 about here

This timing proves useful in an empirical analysis of the substantive and symbolic effects of affiliation. Because of the lag between the time at which a wine is put into barrel or bottle and the time at which it is released and reviewed, there are wines in the cellar when new head winemakers start their new job. Therefore, in the post-hire period two groups of wines are priced and reviewed: (1) wines made by the previous winemaker and (2) wines made by the recently-hired winemaker. Distinguishing between the two groups enables us to identify wines influenced only symbolically by the new winemaker (group #1) and those influenced both substantively and symbolically by the new winemaker (group #2). Our identifying assumption is that a new winemaker can have little impact on the quality of wines bottled by their predecessor (an assumption that we expose to empirical scrutiny). Therefore, we expect no substantive effect of hiring on these wines' quality ratings because the link between these wines and the

prior affiliations of the new winemaker is substantively ‘irrelevant’ any observed impact on prices reflects the purely symbolic effect of hiring someone from a prominent winery. With the passing of time, though, a new winemaker has the chance to work on vintages that are then released and reviewed. For these wines, we can again test whether the affiliation of the former employer has an impact on prices or quality levels. Here, any effect on wine quality reflects a substantive effect of the indirect affiliation while any pricing effects that are not justified by changes in quality again reflect the symbolic implications of the indirect affiliations with former employers. Because the theorized mechanism behind the symbolic effects hinges on the visibility-enhancing benefits of inter-organizational affiliations, we expect that the prominence of the prior employer will moderate the effects associated with winemaker mobility. As the *BIRG* phenomenon suggests, there must be reflected glory in which to bask and it is difficult to imagine such glory without prominence. Therefore, we analyze variance in the effects of hiring winemakers from former employers of varying prominence.

The next section clarifies our expectations about the effect of former employer prominence on wine quality and on posted prices. This is followed by a description of the data and research design. After presenting results we discuss implications for research on inter-organizational affiliations.

Theory and Predictions

“Prominent actors are highly visible because of their extensive involvement in substantively important relationships” (Knoke and Burt 1983, pg. 195). Prominence is most often conceptualized as ‘centrality’ or ‘prestige’. Centrality comes from involvement in many relationships while prestige recognizes the asymmetry of relations and comes from being the object of more associations. Working from this latter notion of prominence, Burton et al. (2002) proposed that firms that have spawned more entrepreneurial ventures enhance the visibility of new firms established by their former employees, enabling those former employees to more easily attract financing. They call this an entrepreneurial prominence effect. In a related project, Stuart et al. (1999) examined the commercial prominence of organizations that ally with a nascent firm. Here, prominent partners are those with longer track records of

working with young firms. The authors found that firms with more prominent alliance partners experience initial public offerings sooner and also go public at higher valuations. In both studies, the visibility benefits of being affiliated with more prominent others enable organizations to attract valuable resources but the underlying substantive and symbolic mechanisms are not clearly delineated.

We invoke a similar conception of prominence in the context of employee mobility.

Organizations that are more often identified by other industry producers as sources (i.e., former employers) of skilled employees are defined as more prominent former employers. For this to occur, other organizations must regularly hire from the focal organization and then decide to publicize the indirect affiliation that arises. In the wine industry, certain former employers are explicitly mentioned by hiring wineries in descriptions of their winemakers. Consider the following description of winemaker Sergio Traverso taken from the website of *Murrieta's Well*:

Sergio Traverso brought his family from Chile to the United States in 1969 to become a winemaker. Until 1974, he did post-graduate work at UC-Davis, earning a master's degree in food science and a doctorate in microbiology. He took a detour to San Lorenzo in Mexico after completing his education to work at one of the oldest wineries in North America, Casa Madero, where Pablo remembers horseback riding as a child. From 1975 to 1981, Sergio Traverso held winemaker positions at **Domaine Chandon** and **Sterling Vineyards** in the Napa Valley. During this time, Traverso also did consulting work for a number of wineries including **Robert Mondavi, Inglenook, Clos du Val, and Mirassou Vineyards**. From 1981 to 1990, he was the winemaker at **Concannon**, and during the latter part of his tenure took on a partnership role. He sold his interest there and was considering a return to Chile. Then Phil Wentz asked Traverso to make specialized, handcrafted wines at what was to become Murrieta's Well (www.murrietaswell.com).

This description specifies Traverso's education and foreign wine industry experience as well as names of several former employers. Roberts and Khairi (2008) note that linking with specific other wineries invites comparison. As such, there is a tendency for wineries to highlight more salient and more accomplished former employees.

By virtue of their positions, prominent actors enjoy two primary benefits: privileged access to resources and reputational enhancement. For example, Stuart et al. (1999) found that start-ups benefited from the endorsements of their partners but that the benefits of affiliation diminished as the start-ups received more venture financing and grew. They argued that prominent affiliations alleviate uncertainty

surrounding an early stage start-up seeking resources (i.e., a symbolic reputational enhancement) and help the start-up attract capital from resource providers (i.e., substantive, privileged access to valuable resources). We expect similar substantive and symbolic effects of prominent affiliations created by winemaker mobility events.

In the wine industry, critics determine the quality of rated wines without knowing the identity of the producer or its winemaker -- a process known as blind tasting. Because the identity of the winemaker or his/her former employer cannot influence a blind taste test, there should be no symbolic effects of prominent affiliations on wine quality ratings. However, if a new winemaker brings knowledge and experience that improves the production process and subsequent quality of the wine then critics' evaluations of wine quality should improve following a mobility event. Because winemakers tend to leave one position and start another at the end of a vintage - after grapes have been harvested, crushed and fermented, most of the actions that affect wine quality are taken before and during crush or during the fermentation process. Once a vintage is in the bottle, then, there is little (if anything) that a newly-hired winemaker can do to improve its quality. Consequently, newly-hired winemakers are only likely to influence the quality of vintages made after their arrival. If this assumption about winemaker contributions is roughly correct *and* if there can be no symbolic effects on wine quality outcomes (given the blind tasting process), then we would only expect to observe changes in actual wine quality for vintages that follow the winemaker's arrival.

Hypothesis 1. The hiring of a new winemaker from a prominent winery will have no effect on the quality of wines *reviewed after but produced before* the winemaker's arrival (i.e., no symbolic effect on quality).

Hypothesis 2. The hiring of a new winemaker from a prominent winery will have a positive effect on the quality of wines *reviewed and produced after* the winemaker's arrival (i.e., a substantive effect on quality).

Newly-arriving winemakers are not expected to substantively influence the quality of wines from vintages that predate their arrival. However, symbolic effects from indirect affiliations with prominent former employers are plausible. Recall that the *BIRG* phenomenon suggests that substantive effects are

not necessary for actors to experience positive effects of affiliations with prominent others. Along these lines, Zuckerman (2004) showed that stock market reactions to new earnings information depend on how a firm is categorized. Those that fit nicely into prevailing categories receive more attention from prominent mediators of financial markets (i.e., stock analysts) and consequently more positive and predictable valuations. Similarly, Roberts and Reagans (2007) showed that price-quality relationships in the wine industry are more robust for producers that have received more attention from prominent market participants (i.e., critics) in the past. Last, Benjamin and Podolny (1999) showed that wine prices are more sensitive to quality for wine producers located in more prominent wine-producing regions. All of these effects are rooted in Merton's (1968) idea that prominence and connections to prominent others condition an actor's visibility and, therefore, variance in the returns to actors' demonstrations of similar quality.

In the same way, indirect affiliations with prominent former employers can increase the confidence that market participants have in a hiring producer. Hiring a skilled winemaker from a prominent winery may serve as a signal of quality to market participants if the true quality of the hiring producer's yet-to-be-reviewed wine is difficult for market participants to judge. The *BIRG* phenomenon suggests that hiring wineries will take the opportunity to adjust prices on its wines upward in the post-hiring window, despite the absence of any substantive justification for doing so. As such, even if a new winemaker has no observable effect on wine quality we might observe pricing changes due to the newly-formed indirect affiliation. So, there is reason to expect a 'purely symbolic' effect of hiring on wine price even when the newly-formed affiliation seems irrelevant. In other words, the hiring winery basks in the reflected glory of the newly-hired winemaker's prominent former employer and its accomplishments:

Hypothesis 3. The hiring of a new winemaker from a prominent winery will have a positive effect on the prices charged for wines *reviewed after but produced before* the winemaker's arrival (i.e., a purely symbolic effect on price).

Hypothesis 4. The hiring of a new winemaker from a prominent winery will have a positive effect on the prices charged for wines *reviewed and produced after* the winemaker's arrival (i.e., substantive *and* symbolic effects on quality).

It should be noted that we are not hypothesizing on the main effects of hiring. Our theoretical interest is only in the effects of hiring new winemakers from wineries of varying prominence; the more prominent the former employer, the stronger the expectations for the hypothesized effects.

Data and Analysis

The wine quality and price data are taken from the *Wine Spectator* and from Parker's *Wine Advocate*. We downloaded the roughly 44,000 reviews of California wines published in either outlet between 1992 (the first year that the Parker information is available electronically) and 2005. For each review, we recorded the year of publication, the wine's vintage, the winery that produced the wine, the quality score and suggested list price. We also recorded its varietal type and the specific region from which the grapes were sources.

To assemble a sample of winemaker hires, we randomly selected half of the producers listed in the 2004 issue of *Wines and Vines* and contacted their head winemakers. Individuals were asked to provide relevant career information: the year in which they became head winemaker at their current employers and then all previous winemaking roles held – as head winemaker, as assistant winemaker or in other winemaking roles (e.g., cellar hand). We received responses from 250 winemakers. In addition to their current winemaker jobs, these surveys provided additional cases where a respondent held a different head winemaking job before starting in her current role. Given the need for three years of reviews before and after each hire (see below), we dropped all wineries founded prior to 1995 and then all hires that occurred within three years of a winery's founding. We also restricted attention to hires that occurred prior to 2002. This reduced our sample to 65 head winemaker hiring events.

The prominence measure was constructed as follows. We examined the websites of a random sample of 425 California wineries in 2005 and recorded all of the named former employers. A total of 327 different wineries were mentioned 563 times. Table 2a lists the wineries most-often mentioned as former employers, a list which is headed by the highly prominent *Robert Mondavi* winery. The prominence variable was coded as the number of times a focal winery was named on another winery's website as a

prior employer of one of the winery's winemaker. To check the face validity of this measure, we compared the 27 wineries that were mentioned four or more times to 22 wineries in our sample of former employers (see below) that accrued no such mentions. On average, the most prominent wineries received many more published wine reviews from the *Wine Spectator* (130.5 versus 42.5) and from Parker's *Wine Advocate* (57.0 versus 7.5) between 1992 and 2005. They have also appeared in many more *Wine Spectator* magazine articles (95.4 times versus 13.3). However, the average wine quality scores for the prominent wineries were similar to their less prominent counterparts in the *Wine Spectator* and slightly lower in Parker's *Wine Advocate*. Thus, we conclude that this indicator of prominence clearly captures differences in visibility, but not necessarily wine quality, across California wineries.

Tables 2a and 2b about here

For each of the sampled hires, we noted the former employer of the new winemaker and then consulted the information behind table 2a in order to determine the prominence of that former employer. In cases where the focal hire represented a winemaker's first winemaking job, we set the former employer prominence variable to zero.

We then tracked each hiring winery for three years before and three years after the hiring year and recorded all of its published wine reviews. A total of 3,006 reviews were published for wines made by the 65 wineries in our hiring sample. We recorded the quality score and the natural log of real price (i.e., listed price divided by the CPI normalized to unity in 1984) for each review. We then determined whether the review was published after or before the arrival of the new winemaker and coded a variable "Post-Hire" that takes a value of "1" if the focal wine was reviewed after the new winemaker was hired. This variable was coded by comparing the hiring year to the wine's review year. We also coded a variable "Made-By" that takes the value "1" if the wine was made after the winemaker's arrival. This variable was coded by comparing the hiring year to the wine's vintage year. Our four predictions relate to the interactions between these two indicator variables and the prominence of the winemaker's former employer. Hypotheses 1 and 3 relate to quality and price differences associated with the interaction

between prominence and Post-Hire, while hypotheses 2 and 4 relate to quality and price differences associated with the latter Made-By variable.

An example should clarify our empirical approach (see table 3). From our winemaker surveys, we learned that a new head winemaker joined *Peju Winery* in 1999. Before that, he was employed by *Grgich Hills* as their head winemaker. Because *Grgich Hills* has been mentioned as a former employer on three different websites, we infer that *Peju* hired from a prominent former employer. In the three years prior to hiring (1996 to 1998), *Peju* received twelve published reviews with an average quality score of 87.08 and an average real price of \$18.40. In the year of hiring and over the subsequent three years, *Peju* accrued sixteen reviews. The average quality for these post-hiring wines was 86.06 while the average real price was \$27.95. We therefore observed little change in wine quality but a substantial increase in posted prices after the hiring of a new head winemaker from a prominent former employee. When we isolate the five reviews of wines from vintages that follow the arrival of the new winemaker, we see continued higher prices without any corresponding increase in wine quality. In this example, we are able to twice isolate the symbolic impact of hiring from a prominent organization: an immediate increase in posted prices when the new winemaker has little chance to impact product quality, and sustained higher prices absent any observed impact on quality when he/she can exert an influence.

Table 3 about here

Moving past this example, we conduct our analyses at the wine bottle level of analysis and estimate pairs of seemingly unrelated regression equations – one in which the dependent variable is the wine's quality score and another in which the dependent variable is the natural log of real wine price. This regression framework accounts for the non-independence in the error terms across each equation. Our models include several control variables. First, we estimate within-producer models using winery fixed effects to account for the myriad of time-invariant, otherwise unobserved winery-level factors that might influence wine quality or price. We also include fixed effects for wine varietal (e.g. cabernet sauvignon, chardonnay) and for the region from which the grapes were sourced (e.g., Napa,

Sonoma). Our quality and price information come from two different sources – the *Wine Spectator* and Parker’s *Wine Advocate*. Preliminary analysis revealed that the Parker quality scores and posted prices tended to be somewhat higher. As such, we include in all models an indicator variable set to “1” for the Parker observations and “0” for the *Wine Spectator* observations. The quality and price of a wine are influenced by the general conditions of each vintage and so we include another variable that indicates overall vintage quality. Vintage quality information is reported on the *Wine Spectator* website. For those varietals and regions that do not have vintage quality information reported, we include the average vintage quality for California in the focal year. A wine’s age at release/review is also thought to influence quality and price and so we include another variable that measures the elapsed time between a wine’s vintage and review years. A squared term is included to capture possible non-monotonic effects of age on quality or price. Finally, because a wine’s price is likely to be influenced by factors that affect all similar wines in a given year (e.g., supply or demand shocks), we include the average of the prices charged for all wines of the same varietal type in the same review year and expect its coefficient to be positive. Table 4 reports descriptive statistics and correlations for all variables of interest.

Table 4 about here

Results

Model 1 in table 5 includes the control variables and main effects for wines reviewed after the arrival of the new winemaker and for reviewed wines made by the new winemaker. The effects of the Parker variable are positive in both models but only significant in the price model. The effect of vintage quality is positive and significant in both the quality and price models. The effect of wine age is curvilinear. The parameter estimates suggests that wine quality peaks at roughly seven years of bottle age while wine prices tend to rise until a wine is roughly six years old. In the price model, the positive effect of average varietal price is highly significant. Most importantly, the coefficients on the post-hire and

made-by indicator variables are insignificant. Hiring by itself does not exert an observable effect on wine quality or price.

Table 5 about here

Model 2 incorporates the prominence of each hired winemaker's former employer. In the quality model, the main effects of the post-hire and made-by variables are again insignificant. However, the coefficient on the post-hire*prominence interaction in the quality model is negative and significant. Relative to the wines reviewed prior to hiring, those in the post-hire window tended to be of lower quality. This is consistent with hypothesis 1, which argued against positive substantive effects on wine quality, although we expected a null effect. The negative effect may be rooted in two sources. First, decisions to change winemakers may be driven by concerns on the part of the former winemaker or the employing winery that the quality of recent vintages is declining. Alternatively, there are known to be adjustment costs associated with major organizational changes (Barnett and Carroll 1995). As such, even when the end result is expected to be positive, there may be adverse consequences in the immediate aftermath of changes in key personnel. Because wines coming from pre-hire vintages were initiated by a different head winemaker, any later-stage interventions by the new winemaker might be detrimental to quality. If winemakers from more prominent former employers are more likely to intervene in pre-hire vintages, these process costs would be higher.¹ This is consistent with Groysberg et al. (2008) who find that hiring star analysts away from better competitors actually leads to negative stock-market reactions. Notwithstanding its negative effect in the quality equation, the effect of former employer prominence in the post-hire period has a positive and significant effect on price and this observation is consistent with Hypothesis 3. This positive pricing effect in the context of initial quality decreases is clear indication that the hiring winery is basking in the reflected prominence of their new winemakers' former employers.

¹ Consistent with these explanations, when we isolated the 694 observations in which the new head winemaker was promoted from within, the effect of the post-hire*prominence interaction is insignificant ($\beta=0.288$; $p=0.316$). Internal promotions should be more likely when there is no dissatisfaction with recent quality. Nor do these hires tend to produce the incoherence that yields process costs to change.

The effects of the made-by*prominence interactions isolate the incremental effects when the new winemaker gets to initiate a vintage post-arrival. The effect of made-by*prominence has a positive and significant effect on quality. This suggests that hiring from a more prominent winery improves wine quality above and beyond the quality of wines already in the cellar. However, the combined effect of the post-hire and made-by prominence interactions is not significant. So, we must conclude that overall hiring from prominent others does not have an identifiable effect on quality. So, hypothesis 2 is not supported – we cannot clearly identify a substantive effect of hiring from a prominent winery on the quality of wine produced by the new winemaker. However, the incremental effect of hiring from a more prominent winery on price is also positive and significant. Moreover, the combined effect of the post-hire and made-by interactions with former employer prominence is highly significant, consistent with Hypothesis 4.

Robustness Checks

Taken together, the null effects of former employer prominence on quality combined with a positive and significant effect on prices represents the second indication of a winery basking in the reflected glory of a former employer. We checked to see whether the results in model 2 are sensitive to the distribution of former employer prominence by replacing (in an unreported model) the count of mentions as former employers with the natural log of this count (plus one). The results are unchanged except the additional increase in price for wines made by the new winemaker is no longer statistically significant. In addition, the observations in model 2 include those where the new head winemaker was promoted from his or her assistant winemaker position at the same winery. These internal hires are not expected to produce the reflected effects predicted in hypotheses 1 through 4. Model 3 isolates the external hires and finds that the results are virtually unchanged relative to model 2.

In model 4, we account for the expected homophily (Podolny and Phillips 1996) in winemaker mobility. We first compared the prominence (i.e., mentions on websites as former employers) of each former employer with those of the hiring winery (see table 6). Roughly 60 percent of the sampled hires would be described as homophilous hires; i.e., the prominence of the former employer was within one

mention of the hiring winery. For the remainder of the hires, it is roughly as likely to observe a hire from a more or a less prominent winery. Given the strong correspondence between own winery and former employer prominence, we estimated an addition model wherein the overall prominence score was broken into two components: the prominence of the hiring winery and the relative prominence of the former employer. This latter prominence score is simply former employer minus focal winery prominence. Focusing on these latter effects in model 4 (table 5), we see the same pattern of effects for relative former employer prominence: a post-hire price increase along with lower wine quality and then an overall (post-hire plus made-by) price increase along with no effects on quality for vintages initiated by the new winemaker.

Table 6 about here

Much of the existing research on organizational affiliations emphasizes direct organizational ties – observed in the form of alliances or endorsements. In the current case, the affiliation that forms between the hiring winery and the former employer is indirect and depends on the mobile winemaker as its conduit. As such, the symbolic and substantive effects of these indirect affiliations depend on the degree of correspondence between the winemaker and his/her former employer, which then depends on the amount of time that this individual spent working at the former employer. A longer duration fixes the association between an organization and an individual that underpins the expected symbolic effects. It also increases the opportunity for the individual to learn from his/her former employer and therefore fortifies the expected substantive effects. When winemakers spent little time working at their former employers, we should expect diminished symbolic and substantive effects. We ascertained the amount of time spent at the former employer from the surveys that were conducted. Models 5a and 5b in table 6 divide the overall sample at the median of the years spent at the former employer. When the winemaker worked less than six years at the former employer, we observed virtually no significant effects of former employer prominence. The only significant coefficient estimate is not the made-by*prominence interaction and this effect becomes null when seen in conjunction with the negative (albeit insignificant)

effect of the post-hire*prominence interaction. However, when we isolate the observations in which the hired winemaker spent more than five years at the former employer, all of the reported effects from Table 5 replicate. This contrast suggests that the ability to bask in the reflected glory of former employer prominence depends on the length of time that the hired winemaker spent working there.

Table 7 about here

Concluding Comments

The literature on organizational affiliations suggests that ties to prominent others have both substantive and symbolic effects on an organization's performance. While prior research has clearly developed the theoretical expectation for both types of effects, empirical studies have had difficulty isolating them. This paper leverages an idiosyncratic feature of the wine industry (i.e., variable pre-release wine aging) in order to cleanly delineate substantive and symbolic effects of prominent affiliations on two important organizational outcomes (i.e., quality and price). The hiring of a head winemaker creates an affiliation between two wineries. Post-hiring, the new winemaker conceivably influences both the production process (and, by extension, wine quality) as well as price setting. Drawing on the *BIRG* phenomenon, we expected wineries to bask in the glory of their newly-formed prominent affiliations by raising prices for wines released post-hire, independent of any expected effects of the new winemaker on wine quality. We found that hiring a winemaker from a prominent winery has a positive and significant impact on the prices charged by the hiring winery for wines made by the new winemaker. This effect would be consistent with the expected substantive effect of organizational affiliations if there was a corresponding positive effect on wine quality. However, our results also suggest that these same wines (i.e., those made by winemakers from prominent former employers) were indistinguishable in quality from those made and reviewed prior to hiring. This is evidence of a symbolic effect without a corresponding substantive effect and helps isolate the reputation or signaling implications of inter-organizational affiliations. It also aligns the research on organizational affiliations with the more micro research that examines the basking-in-reflected-glory phenomenon. Despite our expectation that a newly-

hired winemaker from a prominent employer would influence post-hire quality, our analyses indicate that an affiliation with a prominent former employer is irrelevant with respect to actual wine quality.

However, the hiring winery does attempt to bask in the reflected prominence of the former employer by posting higher prices.

A more direct test of the purely symbolic effect of these indirect affiliations comes in our examination of the wines reviewed after, but made from vintages that predated the winemaker's arrival. Here, the winemaker is expected to exert little positive impact on wine quality, as most of the relevant decisions have already been made. Consistent with this expectation, the only impact on quality we were able to identify for these already-celled wines was negative. Despite this negative effect and despite the fact that there is little if any opportunity for the newly-hired winemaker to improve the quality of these wines, we again saw that hiring wineries tended to charge significantly higher prices when they hired individuals from prominent former employers.

This begs the question of how and why the practice of basking in the reflected glory of indirect affiliations with prominent others sustains itself. Future research might look at the sustainability of the BIRG phenomenon – does the market reward or punish wineries that adjust prices upward after the hiring of a prominent winemaker? In addition, we have not yet examined the effects of winemaker mobility on the prior employer. Future research might examine the substantive and symbolic implications of such movement on organizations that lose skilled employees.

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Table 1. Wine Age at Release

Age at Release	Reds	Whites
1	1,252 (4%)	2,847 (20%)
2	11,559 (35%)	8,663 (62%)
3	12,883 (39%)	2,101 (15%)
4	3,906 (12%)	192 (1%)
5	951 (3%)	29 (0%)
Total	33,109	13,933

Table 2a. Prominent Wineries
(mentioned as former employers on more than four websites)

Winery	Mentions
Robert Mondavi	13
Chateau St Jean	11
Kendall-Jackson	10
Joseph Phelps	9
Stag's Leap Wine Cellars	9
Dry Creek	7
Beaulieu Vineyard	6
Charles Krug	6
St Clement	6
Vine Cliff	6
Far Niente	5
Flowers	5
La Crema	5
Meridian	5
Acacia	4
Buena Vista	4
Chateau Souverain	4
Domaine Carneros	4
E & J Gallo	4
Grace Family	4
Inglenook	4
Opus One	4
Paul Hobbs	4
Peter Michael	4
Rutherford Hill	4
Sterling	4
William Hill	4

Table 2b. High versus Low Winery Prominence

	Four or More Mentions	Zero Mentions
N	27	22
<i>Wine Spectator</i> Reviews	130.5	42.5
Parker Reviews	57.0	7.5
<i>Wine Spectator</i> Magazine Articles	95.4	13.3
<i>Wine Spectator</i> Average Quality	86.9	85.3
Parker Average Quality	86.0	86.6

Table 3. *Peju* Example – Wines Reviewed Post-Hire and Wines Made by New Winemaker

Wine	Reviewed	Vintage	Quality	Real Price	Wine Age	Post-Hire	Made-By
Chardonnay	1996	1994	86	9.52	2	0	0
Chardonnay	1996	1994	83	13.97	2	0	0
Cabernet Sauvignon	1996	1993	88	11.43	3	0	0
Cabernet Sauvignon	1996	1993	89	22.22	3	0	0
Chardonnay	1997	1995	90	9.93	2	0	0
Chardonnay	1997	1995	88	14.89	2	0	0
Cabernet Sauvignon	1997	1994	92	34.13	3	0	0
Merlot	1997	1994	85	18.62	3	0	0
Cabernet Franc	1998	1994	87	15.28	4	0	0
Chardonnay	1998	1996	83	15.89	2	0	0
Cabernet Sauvignon	1998	1995	87	33.61	3	0	0
Merlot	1998	1995	87	21.39	3	0	0
Cabernet Franc	1999	1996	79	14.95	3	1	0
Chardonnay	1999	1997	87	10.76	2	1	0
Cabernet Sauvignon	1999	1996	86	22.72	3	1	0
Cabernet Sauvignon	1999	1996	95	44.84	3	1	0
Merlot	1999	1996	87	20.92	3	1	0
Chardonnay	2000	1998	86	12.72	2	1	0
Cabernet Sauvignon	2000	1997	92	49.16	3	1	0
Merlot	2000	1997	87	23.14	3	1	0
Cabernet Franc	2001	1997	91	28.12	4	1	0
Cabernet Sauvignon	2001	1998	85	25.31	3	1	0
Cabernet Sauvignon	2001	1998	86	53.43	3	1	0
Cabernet Sauvignon	2002	1999	81	26.57	3	1	1
Cabernet Sauvignon	2002	1999	89	52.60	3	1	1
Merlot	2002	1999	82	19.38	3	1	1
Merlot	2002	1999	84	30.45	3	1	1
Sauvignon Blanc	2002	2000	80	12.18	2	1	1

Table 4. Descriptive Statistics and Correlations
(N=3,006)

	Mean	Std. Dev.	1.	2.	3.	4.	5.	6.	7.	8.	9.
1. Quality	86.85	3.76	1.00								
2. Ln (Real Price)	2.65	0.57	0.51	1.00							
3. Parker	0.26	0.44	0.10	0.07	1.00						
4. Vintage Quality	89.59	3.89	0.25	0.16	0.03	1.00					
5. Wine Age	2.89	2.26	0.07	0.20	-0.18	-0.01	1.00				
6. Average Varietal Price	2.62	0.31	0.18	0.54	-0.06	0.09	0.30	1.00			
7. Post-Hire	0.57	0.50	0.01	0.13	0.01	-0.02	-0.05	0.28	1.00		
8. Made-By	0.22	0.41	-0.01	0.03	0.04	-0.04	-0.19	0.10	0.46	1.00	
9. Post-Hire*Prominence	0.74	1.38	0.01	0.15	0.05	-0.00	0.04	0.21	0.47	0.27	1.00
10. Made-By*Prominence	0.31	0.97	0.01	0.09	0.08	-0.06	-0.12	0.12	0.28	0.62	0.60

Table 5. Seemingly Unrelated Regression Results^a

	Model 1		Model 2		Model 3 (External Hires)		Model 4 (External Hires)	
	Quality	Price	Quality	Price	Quality	Price	Quality	Price
Parker	0.058 (0.146)	0.035* (0.016)	0.055 (0.146)	0.033* (0.016)	0.004 (0.166)	0.039* (0.018)	0.020 (0.166)	0.038* (0.018)
Vintage Quality	0.161** (0.015)	0.006** (0.002)	0.162** (0.015)	0.006** (0.002)	0.171** (0.019)	0.008** (0.002)	0.168** (0.019)	0.008** (0.002)
Wine Age	0.323** (0.082)	0.044** (0.009)	0.310** (0.082)	0.045** (0.009)	0.377** (0.093)	0.040** (0.010)	0.373** (0.093)	0.040** (0.010)
Wine Age ²	-0.023** (0.004)	-0.004** (0.000)	-0.022** (0.004)	-0.004** (0.000)	-0.026** (0.005)	-0.003** (0.001)	-0.026** (0.005)	-0.003** (0.001)
Average Varietal Price	-	0.668** (0.065)	-	0.634** (0.065)	-	0.688** (0.079)	-	0.672** (0.079)
Post-Hire	-0.034 (0.128)	0.019 (0.017)	0.261 (0.162)	0.004 (0.020)	0.203 (0.188)	0.019 (0.024)	0.025 (0.203)	0.012 (0.026)
Made-By	-0.193 (0.155)	-0.022 (0.018)	-0.390 (0.201)	-0.065** (0.022)	-0.246 (0.224)	-0.037** (0.025)	-0.124 (0.237)	-0.051* (0.027)
Post-Hire * Prominence (H1, H3)	-	-	-0.225** (0.075)	0.015* (0.008)	-0.252** (0.078)	0.018* (0.009)	-	-
Made-By * Prominence (H2, H4)	-	-	0.157* (0.095)	0.031** (0.011)	0.146 (0.099)	0.026** (0.011)	-	-
Post-Hire * Own Prominence	-	-	-	-	-	-	-0.241** (0.078)	0.018* (0.009)
Made-By * Own Prominence	-	-	-	-	-	-	0.144 (0.100)	0.025* (0.011)
Post-Hire * Relative Prominence	-	-	-	-	-	-	-0.329** (0.085)	0.020* (0.009)
Made-By * Relative Prominence	-	-	-	-	-	-	0.210* (0.111)	0.016 (0.012)
N	3,006		3,006		2,312		2,312	
Wald Test for additional variables	-		$\chi^2=35.62^{**}$		-		$\chi^2=10.70^*$	
Wald Test for Post-Hire + Made-By (H2, H4)			$\chi^2=0.55$	$\chi^2=20.84^{**}$	$\chi^2=1.23$	$\chi^2=16.56^{**}$		
Wald Test for Post-Hire + Made-By (Relative)							$\chi^2=1.26$	$\chi^2=9.44^{**}$

** p<0.01; * p<0.05 (one-tailed test for hypothesized covariates)

^a Models include fixed effects for producers, regions and varieties.

Table 6. Homophily in Hiring
(External hires)

Relative Prominence	Wineries
-9	2
-6	1
-5	1
-4	3
-3	2
-2	4
-1	7
0	23
1	11
2	6
3	2
4	5
5	1
Total	68
Homophilous (+/- 1)	60%
Hired More Prominent	21%
Hired Less Prominent	19%

Table 7. Duration at Former Employer^a

	Model 5a (External Hires) (Duration<6)		Model 5b (External Hires) (Duration>5)	
	<u>Quality</u>	<u>Price</u>	<u>Quality</u>	<u>Price</u>
Parker	-0.593 (0.223)	0.019 (0.024)	0.537* (0.249)	0.055* (0.028)
Vintage Quality	0.201** (0.025)	0.011** (0.003)	0.147** (0.027)	0.004 (0.003)
Wine Age	0.374** (0.128)	0.050** (0.014)	0.401** (0.143)	0.032* (0.016)
Wine Age ²	-0.025** (0.008)	-0.004** (0.001)	-0.027** (0.007)	-0.003** (0.001)
Average Varietal Price	-	0.764** (0.108)	-	0.559** (0.118)
Post-Hire	0.044 (0.246)	-0.003 (0.031)	0.352 (0.293)	-0.059 (0.038)
Made-By	-0.027 (0.286)	-0.043 (0.032)	-0.694 (0.355)	-0.020 (0.040)
Post-Hire * Prominence (H1, H3)	-0.216 (0.136)	0.012 (0.015)	-0.277** (0.099)	0.029** (0.011)
Made-By * Prominence (H2, H4)	0.399* (0.156)	0.019 (0.017)	0.025 (0.135)	0.029* (0.016)
N	1,258		1,054	
Wald test for additional variables	$\chi^2=10.08^*$		$\chi^2=33.93^{**}$	
Wald test for Post-Hire + Made-By effects (H2, H4)	$\chi^2=1.76$	$\chi^2=4.18^*$	$\chi^2=3.57$	$\chi^2=14.60^{**}$

** p<0.01; * p<0.05 (one-tailed test for hypothesized covariates)

^a Models include fixed effects for producers, regions and varietals.