

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

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Movement of a skilled employee from one organization to another creates an 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, Meyer and Rowan (1977, pg. 332) and Stinchcombe (1990, pg. 322) have 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). Moreover, this *BIRG* phenomenon occurs even when associations are seemingly irrelevant to the referenced successes. For example, the Cialdini *et al.* (1976) studies showed a heightened propensity for college students to wear their school's athletic apparel and stake claims to team outcomes (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. Together, 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).

We apply these *BIRG* insights to the market level in order to isolate the symbolic (i.e., seemingly ‘irrelevant’ associations) and substantive effects of employee mobility. Existing studies clearly acknowledge these two effects but have not yet been able to clearly distinguish the two effects empirically.¹ The reason is that these two effects tend to occur simultaneously and also generate similar predictions about the relationship between the mobility event and the overall performance of the hiring organization. However, analyzing the effects of winemaker mobility affords us an unusual opportunity to disentangle the symbolic from the substantive due to the unique features of the wine industry.

In order to improve wine quality *and* to influence the market’s perceptions of that quality, producers rely on the contributions of skilled winemakers. 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;”

“the ‘winemaker's vision’ is a romantic idea. And, yes, it does exist ... the business temptation to capitalize on the ‘name game’ is irresistible;” and

“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.”

Given their actual and assumed importance, competition for talent is strong and leads to considerable winemaker mobility across producers and over time. Each mobility event creates an indirect affiliation between the winemakers’ prior and new employers. Hiring a winemaker from an accomplished former employer can lead to more critical coverage (i.e., more and more regular published wine reviews) and/or superior wine quality (i.e., higher average quality ratings). These two variables are important determinants of wine pricing and, therefore, the return to producers’ investments in quality (Roberts and Reagans 2007). In order for quality information to permeate the market, a producer has to first get its wines noticed and rated by influential critics. Once evaluated, Landon and Smith (1997) demonstrate a positive relationship between the quality scores reported in the *Wine Spectator* and posted wine prices, while Jones and Storchmann (2001) find a similar effect in their study of quality ratings from Robert Parker’s *Wine Advocate*.

We isolate the substantive and symbolic implications of hiring an accomplished winemaker by leveraging two features of the wine industry. First, wines are considered for evaluation and publication in

¹ There have been a few attempts. 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 information problems. Networks rich in structural holes, which are more relevant for resource access, are more useful in segments where the primary information problems are those faced by producers. In a study of how alliances influence new firm growth, Stuart (2000) conducted a follow-on analysis to ascertain whether his signaling prediction remained supported after accounting for possible resource access effects.

a non-blind process wherein critics know the identity of each producer. However, wines are evaluated in blind tastings wherein critics do not know the identity of the wine or its producer. The second feature relates to the timing of published wine reviews. There is a time lag between a wine's vintage and the year in which the wine's review is published. On average, the reviews of red (white) California wines published in the *Wine Spectator* in 2005 were conducted 3½ (2) years after their vintage years (see Table 1). The age of the bottles reviewed ranged from one to 30 years. As we suggest below, these two features prove to be very useful in our empirical analyses of the substantive and symbolic effects of winemaker affiliations. Our research design isolates the substantive and symbolic effects of hiring a new head winemaker on (a) a winery's average wine quality and (b) the amount of critical coverage that the winery receives in the post-hiring period.

Hypotheses

Critics determine the quality of each rated wine without knowing the identity of the producer or its winemaker. Therefore, hiring a new winemaker should have only substantive effects on evaluations of wine quality. If the new winemaker brings knowledge and experience that improve the production process, then critics' evaluations of wine quality should improve. Clearly, the identity of the winemaker cannot influence a blind taste test so there should be no symbolic effects on wine quality. To understand how, consider the typical timing of winemaker mobility events in relation to the wine production process. Generally, 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, though, there is little (if anything) that a winemaker can do to improve its quality. Consequently, newly-arriving 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 1a. The arrival of a winemaker from a more accomplished winery increases the average quality of wines produced at the hiring winery for vintages produced after the winemaker's arrival (substantive effect)

Hypothesis 1b. The arrival of a higher quality winemaker does not increase the average quality of wines produced at the hiring winery for vintages produced before the winemaker's arrival.

We expect a different pattern of effects in the context of critical coverage. While newly-arriving winemakers are not expected to substantively influence the quality of wine that predates their arrival, we do expect symbolic effects when it comes to critical coverage. Given constraints on the processing capacity of the critics (Hirsch 1972; White and White 1993), it is unreasonable to assume that they possess full information about all producers and their products. Rather, in their role as influential, representative consumers, critics track observable cues and industry developments when making their coverage decisions. When critics observe winemaker movements from well-covered and high quality producers, they may update their assumptions about the hiring winery. According to balance theory (Hieder, 1958), in order to maintain cognitive consistency, observers tend to perceive as alike those things that are associated with one another in even the most basic and non-casual ways. In the current setting, balance theory suggests that critics might revise their prior assumptions about a hiring winery in light of its ability to hire a skilled individual away from a more accomplished former employer. In other words, the hiring winery basks in the reflected glory of the newly-hired winemaker's former employer and its accomplishments.

Hypothesis 2. The arrival of a higher quality winemaker increases the attention that critics pay to all wines – even those that were made before the winemaker's arrival (symbolic effect).

The *BIRG* phenomenon is known to occur more often when the basking individual feels less successful (Cialdini et al. 1976). Organizations already known to be of high quality benefit less from the reflected successes of their direct and indirect associates. This means that hiring an accomplished winemaker should matter less for organizations that were doing well before the winemaker's arrival:

Hypothesis 3a. The symbolic winemaker effect will be lower for hiring wineries that attracted more coverage prior to the new winemaker's arrival.

Hypothesis 3b. The symbolic winemaker effect will be lower for hiring wineries that attracted more favorable coverage prior to the new winemaker's arrival.

Finally, the *BIRG* thesis posits that individuals *actively* promote their associations with successes, while downplaying associations with failures. The tendency to use a collective pronoun when referring to a previous game was more likely when the team won; claims tended to switch from “we” won to “they” lost (Cialdini et al. 1976). So far, our consideration of symbolic effects of winemaker mobility is limited to whether or not critics track the movement of winemakers and also update their inferences about winery

quality in order to maintain cognitive consistency. We now consider the communication behaviors of the hiring wineries to determine whether these behaviors are consistent with the *BIRG* thesis. More specifically, we isolated winemaker descriptions and accolades on the websites of each producer and noted all former employers that were specifically named in these communications. Naming a former employer is a public act of deference wherein the quality claims of the focal organization rest on claimed associations with specific other wineries. Following the logic outlined above, we expect that:

Hypothesis 4a: A hiring winery is more likely to specifically name a winemaker's former employer on its website if the former employer attracted more critical coverage prior to the winemaker's arrival.

Hypothesis 4b: A hiring winery is more likely to specifically name a winemaker's former employer on its website if the former employer attracted more favorable critical coverage prior to the winemaker's arrival.

Hypothesis 5a: This communication effect will be lower for hiring wineries that attracted more coverage prior to the winemaker's arrival.

Hypothesis 5b: This communication effect will be lower for hiring wineries that attracted more favorable coverage prior to the winemaker's arrival.

Empirical Approach

Our analysis specifies the extent to which a hiring winery benefits from the accomplishments of the former employer of its new winemaker. These benefits are expected to include (a) greater critical coverage and (b) greater product quality. To estimate the effects of winemaker mobility on these two dependent variables, we must approximate the counterfactual – what levels of critical coverage and product quality would we have observed were a new winemaker not hired by a focal winery. We use a matched sample approach to approximate the counterfactual.

To construct our sample, we first randomly selected half of the producers listed in the 2002 issue of *Wines and Vines* and contacted their head winemakers. Each individual was asked to provide her relevant career information: the year in which she became head winemaker at her current employer and then all previous winemaking roles – as head winemaker, as assistant winemaker or in other winemaking roles (e.g., cellar hand). These survey responses provided additional cases where the respondent held a different head winemaking job before starting in her current role. A total of 245 individuals provided information about 510 head winemaking hiring events. Given our need to match these events to critical

coverage and average wine quality over a six-year period, we limit attention to the 185 individuals representing 294 hiring events that occurred between 1986 and 2002. To provide a baseline against which these hiring events could be assessed, we then assembled a matched sample of non-hiring wineries; i.e., those with similar numbers of prior critical reviews and similar quality ratings but that did not hire a new head winemaker in year t .

The critical coverage and wine quality data are taken from the *Wine Spectator*.² We downloaded the roughly 38,000 reviews of California wines published in the *Wine Spectator* between 1982 and 2005. For each review, we recorded the year of publication, the winery that produced the wine, the wine's vintage and its quality score. According to the *Wine Spectator* website, these quality scores are determined in blind tastings, a process that ensures that critics do not know who made the wine they assign their quality ratings.

Knowing each year of hiring, t , (or the assigned non-hiring year for each matched winery), we isolate two three-year periods: (1) *the current period*, which includes the year of hiring and the two subsequent years and (2) *the prior period*, which includes the three years leading up to the hiring event.³ In each current window, we count the number of critical reviews (\mathbf{RC}_p) and calculate the average quality rating (\mathbf{QC}_p) for all wines from vintages that predate the hiring of the new winemaker. We then determine the number of critical reviews (\mathbf{RC}_f) and average quality rating (\mathbf{QC}_f) for wines from vintages that follow the year of her hiring. To establish a basis for comparison, we count the number of critical reviews (\mathbf{RP}_p) and calculate the average quality rating (\mathbf{QP}_p) in the prior period for wines from vintages that predate the start of that period (i.e., before $t-3$). Finally, we determine the number of critical reviews (\mathbf{RP}_f) and average quality ratings (\mathbf{QP}_f) in the prior period for wines made from vintages in $t-3$ or later. From these, we calculate four different dependent variables:

1. change in critical coverage for predating wines: $\mathbf{RC}_p - \mathbf{RP}_p$
2. change in average quality for predating wines: $\mathbf{QC}_p - \mathbf{QP}_p$
3. change in critical coverage for following wines: $\mathbf{RC}_f - \mathbf{RP}_f$
4. change in average quality for following wines: $\mathbf{QC}_f - \mathbf{QP}_f$

² We could not obtain electronic access to the *Wine Advocate* reviews published prior to 1991.

³ In our initial analysis, we treat all hires symmetrically. However, it is likely that hiring a head winemaker away from another producer has greater benefits than does hiring an individual that occupied a more subordinate role. We will allow for this distinction in subsequent analyses.

To ascertain the relative quality of the incoming winemaker, we compare the critical coverage and average quality of the former employer with that of the hiring winery during the three-year period prior to the hiring: $RP_{\text{former}} - RP_{\text{hiring}}$ and $QP_{\text{former}} - QP_{\text{hiring}}$.⁴

An example should help to clarify these measures and the expected relationships among them (see Table 2). From our surveys, we learned that Bob Cabral joined *Alderbrook Winery* as head winemaker in 1994. Before that, he was employed by *Kunde Estate Winery* as an assistant winemaker. An examination of *Alderbrook* and *Kunde* during the prior period reveals that *Kunde* received more coverage ($RP_{\text{former}} - RP_{\text{hiring}} = 6$) and higher average quality scores ($QP_{\text{former}} - QP_{\text{hiring}} = 3.3$) than *Alderbrook*. Thus, we submit that it was a more successful winery (in the eyes of the critics). In the current period (1994-1996), *Alderbrook* accrued fifteen critical reviews, six of which were from vintages that predated Cabral's arrival ($RC_p = 6$) and nine from vintages following his arrival ($RC_f = 9$). This is a notable increase compared to the prior period (1991-1993). There, *Alderbrook* received only three reviews, all of which were from vintages that pre-dated 1991 ($RP_p = 3$). We therefore observe increased coverage for wines that Cabral made ($RC_f - RP_f = 9$) and for those whose vintages predated his arrival ($RC_p - RP_p = 3$). This latter increase is consistent with hypothesis 2 – the symbolic effect of winemaker mobility. In terms of wine quality, we see virtually the same average quality for wines made prior to Cabral's arrival that were reviewed pre- and post-hiring ($QC_p - QP_p = 0.2$). However, wines that were made in the vintages after Cabral arrived show a marked increase in average quality ($QC_f - QP_f = 4.0$). These two effects on wine quality are consistent with hypotheses 1a and 1b – the substantive effects of winemaker mobility.

Moving past this example, we will estimate a pair of seemingly unrelated regression models – one for the critical coverage changes (predated and following) and one for the average product quality changes (predated and following). This framework accounts for the (likely) non-independence in the error terms across each set of models. To determine whether observed hiring effects depend on the own prior accomplishments of the hiring winery (e.g., hypothesis 3), we examine whether RP_{hiring} and QP_{hiring} exert their own effects and whether they moderate the main effect of the relative winemaker accomplishment variables. The analysis will also assess whether hiring in and of itself exerts an effect on subsequent critical coverage and average product quality (irrespective of relative winemaker accomplishment). Here, note that $RP_{\text{former}} - RP_{\text{hiring}}$ and $QP_{\text{former}} - QP_{\text{hiring}}$ equal zero for the matched sample of non-hiring wineries. Including these observations and an indicator variable set to one for observations with a hiring event allows us to document the independent effect of hiring on the four dependent variables.

⁴ Our initial analysis will focus on each winemaker's most recent former employer. In subsequent analyses, we will also analyze the effects of previous employers by considering the career trajectory of the focal winemaker leading up to her stint at the former employer.

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Table 1. *Wine Spectator* Reviews Published in 2005

Reds (N=1,992)	Minimum Age	1 year
	Maximum Age	30 years
	Average Age	3.6 years
	Std. Dev of Age	3.5 years
Whites (N=653)	Minimum Age	1 year
	Maximum Age	20 years
	Average Age	2.0 years
	Std. Dev of Age	1.1 years
Total (N=2,645)	Minimum Age	1 year
	Maximum Age	30 years
	Average Age	3.2 years
	Std. Dev of Age	3.2 years

Table 2. Alderbrook Winery Example

<i>Alderbrook Winery</i>			
Reviewed	Vintage	Score	
1991	1989	82	
1992	1989	88	
1992	1990	82	RP_p = 3; RP_f = 0 QP_p = 84.0; QP_f = na
1995	1992	87	
1995	1992	85	
1995	1993	85	
1995	1993	83	
1995	1993	83	
1995	1993	82	RC_p = 6 QC_p = 84.2
1995	1994	85	
1996	1994	92	
1996	1994	89	
1996	1994	87	
1996	1994	86	
1996	1995	92	
1996	1995	89	
1996	1995	87	
1996	1995	87	RC_f = 9 QC_f = 88.2
<i>Kunde Estate Winery</i>			
Review	Vintage	Score	
1991	1990	91	
1992	1990	92	
1992	1990	84	
1992	1989	90	
1993	1991	89	
1993	1991	82	
1993	1990	88	
1993	1990	88	
1993	1990	82	
	Reviews	Avg. Quality	
Alderbrook	3	84.0	
Kunde	9	87.3	
RP_{former.} - RP_{hiring} = 6 QP_{former.} - QP_{hiring} = 3.3			