

Reconsidering the Reputation–Performance Relationship: A Resource-Based View[†]

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Reputation is thought to differentiate organizations and help explain variability in their performance. A recent study contributed to knowledge about the reputation–performance relationship by depicting reputation as having two dimensions and linking each dimension to the prominence and performance of U.S. business schools. The authors propose an alternative approach that draws on the resource-based view (RBV) wherein reputation is an intangible asset that is composed of complementary and reinforcing relationships whose synergies create causal ambiguities that have positive performance implications. The authors also test a direct effect of faculty experience on prominence. Their results support the merit of the RBV model, indicating that it offers greater explanatory power. The findings suggest that reputation cannot be bought by additive and independent investments. Instead, enhancing a reputation requires managers to carefully nurture interdependencies and complex relationships. The findings also provide new insights about the determinants of business school reputation.

Keywords: *reputation; resource-based view; structural modeling*

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As noted in a recent *Journal of Management* article, an organization's "reputation is perhaps one of its most important strategic resources" (Flanagan & O'Shaughnessy, 2005: 445; see also Hall, 1992). Reputation helps distinguish firms from competitors (Peteraf, 1993), reduces information asymmetry and consumer uncertainty (Weigelt & Camerer, 1988), and substitutes for expensive governance mechanisms (Kogut, 1988). Moreover, reputation has been linked to organizational performance (Fombrun & Shanley, 1990; Roberts & Dowling, 2002; Shamsie, 2003). As such, reputation appears to be a key to the effort to understand why some organizations outperform others—a quest regarded by many as the cornerstone of the strategic management field (e.g., Hitt, Boyd, & Li, 2004; Rumelt, Schendel, & Teece, 1994).

Recent research provides new insights into how reputation may contribute to value creation. In particular, a study by Rindova, Williamson, Petkova, and Sever (2005; hereinafter referred to as the RWPS study or model) takes a large step forward by integrating prior research via proposing that the construct of reputation has two dimensions—perceived quality and market prominence—each of which has unique antecedents and performance implications. In general, they argue that some stakeholders view reputations in terms of how firms provide quality goods and services, whereas other stakeholders focus on reputation as an organization's external prominence. Reputation as perceived quality is rooted in an economic orientation and is driven by the quality of inputs, ingredients, and productive assets. Reputation as market prominence is based on a sociological tradition wherein antecedents include the media, expert intermediaries, and affiliation with high-status actors. Drawing from signaling theory, Rindova et al. assert that the quality of inputs influences perceived quality, which in turn improves an organization's performance by lowering buyer costs and enabling higher prices due to enhanced buyer confidence. They also use institutional theory to argue that the market prominence dimension of reputation has cachet for which buyers are willing to pay a premium. Overall, Rindova et al. provide a significant contribution by distinguishing important determinants of reputation, providing insights into how managers might develop reputation, and increasing understanding of how reputation may influence financial performance.

The RWPS model opens several new paths for further probing the reputation concept and how it may be linked to performance and organizational success. However, Rindova et al.'s definition of reputation as "stakeholders' perceptions about an organization's abilities to create value relative to competitors" (Rindova et al., 2005: 1033) and characterization of past research as economic signaling or global impression management may create limitations. Although Rindova et al. recognize that reputation can also take the form of a valuable resource that has performance implications, they do not consider whether the theoretical framework for linking resources and performance offered by the resource-based view (RBV) of the firm may represent an alternative explanation to their integrative model.

Building on Wernerfelt's (1984) preliminary ideas, Barney (1991) laid out the basic tenets of the RBV in a seminal *Journal of Management* article, one that has been cited nearly 9,000 times as of July 2008 according to scholar.google.com. Barney suggested that organizations possessing resources that are valuable, rare, and difficult to imitate or substitute can achieve sustained competitive advantages. In turn, these competitive advantages can create superior performance for an organization relative to its rivals that lack resource endowments. From 1991 to 2007, at least 125 published studies examined the link between resources and performance, and recent meta-analytic evidence reveals that a significant resources–performance

relationship exists across the more than 29,000 organizations included in those studies (Crook, Ketchen, Combs, & Todd, 2008).

The RBV has been applied to conceptualizing reputation and linking it to performance (Roberts & Dowling, 2002; Rumelt, 1987; Shamsie, 2003), wherein reputation is defined as an organizational attribute and depicted as a broad, multidimensional single construct whose value is determined through the interactions and interrelationships among multiple attributes, both internal and external to the firm (Barney, 1991; Dowling, 2001). The interplay among these underlying determinants would combine to create a synergistic effect, where value is produced from uniting the components and developing their mutually reinforcing relationships. The linkages among reputation's internal and external attributes are rare and difficult to imitate and could lead to competitive advantage and superior performance (e.g., Dierickx & Cool, 1989; Hall, 1992; Roberts & Dowling, 2002). Considered collectively, the RBV perspective represents a theoretical rival to the signaling and institutional arguments put forth by Rindova et al. (2005), and at present, we do not know how the explanatory value of the RBV theoretical model compares to the other perspectives. Additional attention would help develop a more complete understanding of the reputation concept and how it influences value creation.

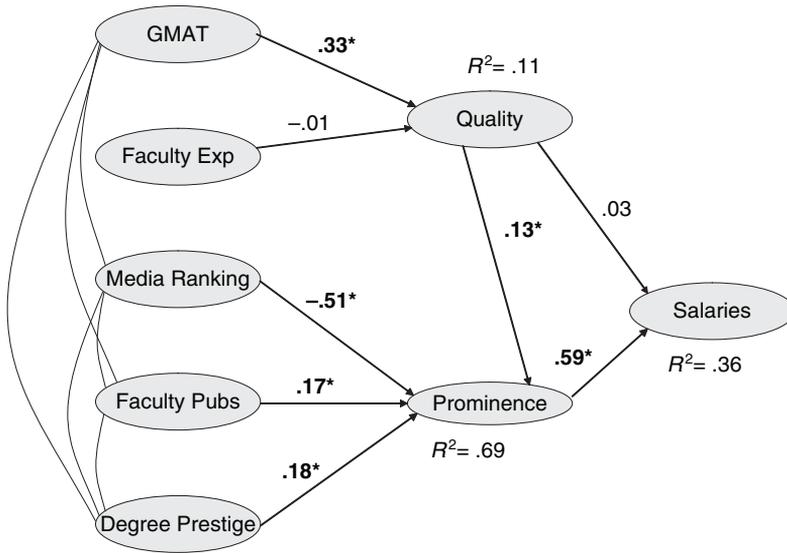
We propose that testing an RBV conception of the reputation–performance relationship extends the explanation contributed by Rindova et al. (2005). Such a model would build on the foundation laid by Rindova et al. to consider the viability of another explanation of reputation and its effects. Comparing the two approaches also offers normative implications. If the RWPS model prevails empirically, then the returns on managerial investments into reputation would be greatest when they involved independent investment purchases, each of which sends a signal about quality that may influence perceptions within an organization's institutional field. By contrast, if the RBV approach receives stronger support, then managers should build reputations by investing in and managing complementary and potentially reinforcing relationships.

Accordingly, we develop and test an RBV of reputation and performance. We reanalyze the RWPS study dataset and find that the RBV model is both more parsimonious and has greater explanatory power than the original signaling and institutional approach. Our study thus builds on the study by Rindova et al. (2005) by indicating that the reputation and performance relationship may be predicated more on interactive and reinforcing relationships that create more value when combined than when considered separately and iteratively. This finding contributes to the reputation literature more generally by indicating that developing and exploiting reputation may be more complex than previously suggested. Finally, our analyses emphasize the importance of considering alternate configurations of variables when using structural equation modeling (SEM).

Theoretical Background and Hypotheses

Rindova et al. (2005) predict that perceived quality will both independently and indirectly influence performance. Market prominence is directly linked to the performance variable. Figure 1 shows their results. Tests using data from 107 U.S. business schools mostly support

Figure 1
Results of Model Tested by Rindova, Williamson, Petkova, and Sever (2005)



Note: Significant paths are noted with an asterisk.

their hypotheses. Although they considered several alternative models, all the models treated each indicator as a unique construct. Many constructs are ideally represented with multiple indicators (Boyd, Gove, & Hitt, 2005; Hitt et al., 2004), and it remains unknown whether a multiple indicator model may better represent the construct of reputation. In the following section, first we review the literature on university reputation. Next, we use the RBV model to reconceptualize the model in Figure 1 into the model shown in Figure 2.

The Role of Reputation in Interuniversity Competition

The nature of competition among colleges and universities, in general, and graduate business programs, in particular, has changed substantially over the past several decades. Previously, colleges and universities drew on local populations for their student base. As modern higher education institutions evolved, “colleges themselves were struggling to find available models and competing on terrain that was not yet stable or structured” (Washington & Ventresca, 2004: 93). The period following World War II, however, was a time of geographic integration and the subsequent stratification of colleges and universities (Hoxby, 1997). What emerged from these developments was the bifurcation of university pricing strategies that typify Porter’s generic strategies: Smaller, local institutions compete on price, whereas regional and national institutions compete based on differentiated features. This

dichotomy is clearly illustrated in tuition norms: Tuition rates for the top decile of *Financial Times* master of business administration (MBA) programs is approximately \$80,000, whereas the bottom decile is approximately \$37,000 (Peters, 2007).

Organizational reputation is the keystone of an institution's differentiation strategy. In academic settings, a stronger reputation is associated with a lower acceptance rate (i.e., better selectivity), higher yields (i.e., more admitted students choose to attend), better students, and the ability to charge higher tuition (Monks & Ehrenberg, 1999). Because the elements of an academic reputation are resource intensive (Peters, 2007), this can lead to a "rich get richer and poor get poorer" cycle (Corley & Gioia, 2000). Similarly, Pfeffer and Fong (2002: 91) characterized competition between business schools as "a self-reinforcing system."

Research on academic reputation is consistent with a view of reputation as a broad construct represented by multiple elements. Academic reputation has been labeled variously as quality or prestige and has been linked with phenomena such as the presence of graduate programs, faculty research productivity, faculty size, and affiliation with an elite university (Baldi, 1997; Gomez-Mejia & Balkin, 1992; Howard, Cole, & Maxwell, 1987; Keith & Babchuk, 1994). The case for reputation as a broad, multimeasure construct is enhanced by recognition that two of the predictors used by Rindova et al. (2005) have been included in a multi-indicator factor model of academic reputation (Boyd, Finkelstein, & Gove, 2005). Furthermore, the use of reflective indicators is a valuable tool for establishing the presence of intangible assets, such as reputation (Barney & Mackey, 2005).

More broadly, the *Fortune* reputation measure is a composite of eight elements. In prior research, the individual components have been found to covary significantly (Brown & Perry, 1994). Fombrun and Shanley (1990) reported that a single factor explained about 85% of the variance in these reputation indicators. Similarly, we ran a confirmatory factor model of the eight *Fortune* indicators reported by Brown and Perry. Our supplementary analysis (omitted for brevity; results available from the authors) found that a single-dimension solution had a coefficient of determination, or explained variance, of 94%. Thus, the available evidence indicates that although the model offered by Rindova et al. adds value to the literature, there is a viable alternative view. Although the specific reputation indicators vary in our study relative to the *Fortune* measures, logic and findings suggest support for a depiction of reputation as a broad construct represented by multiple elements.

A Resource-Based View of Reputation

The RBV portrays reputation as an intangible resource that is derived from combinations of internal investments and external appraisals (Dowling, 2001; Roberts & Dowling, 2002; Shamsie, 2003). From this view, reputation can be defined as "a general organizational attribute" (Roberts & Dowling, 2002: 1078) whose value is derived from interconnections of factors that lead to causal ambiguities, competitive advantage, and ultimately, performance superiority (cf. Barney, 1986a; 1991). More specifically, the underlying determinants of reputation are complex, oftentimes embedded within the firm, and likely to be associated with a high degree of ambiguity, the combination of which limits replication, creating the opportunity for sustained profitability (Roberts & Dowling, 2002), making reputation one of the

organization's most important resources (Hall, 1992). Furthermore, external and internal factors can combine to create a virtuous cycle that develops, enhances, and further differentiates reputation (Podolny, 1993). The bundling of these elements can produce a synergistic value and rarity and make replication difficult (cf. Barney, 1991; Peteraf, 1993). Although reputation can also reduce information asymmetry through conveying information about quality, its internal origins, such as leadership and culture, can serve as the foundation for abnormal performance (Weigelt & Camerer, 1988).

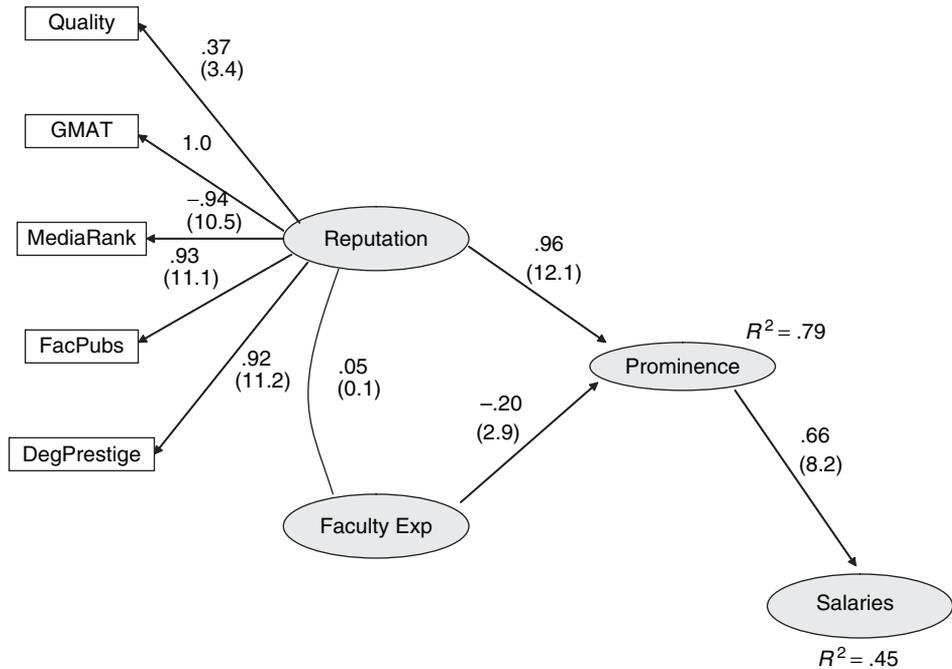
The RBV logic aligns the determinants of perceived quality to competitive advantage, which is reflected in the firm's market prominence. Thus, instead of perceived quality and market prominence having two separate effects on performance (as in the RWPS model), RBV reasoning offers an alternative model wherein reputation leads to market prominence and then to performance. We suggest that RBV offers an explanation for how reputation and market prominence might influence performance (Dowling, 2001; Roberts & Dowling, 2002; Rumelt, 1987) and that reputation is part of a chain of integrated relationships that create unique value and position an entity in its industry. This model is shown in Figure 2.

We propose that prominence is a distinct construct from reputation and that prominence actually mediates the effect of reputation on performance. The distinction between prominence and reputation is that prominence refers to the degree to which an organization is visible and well known, whereas reputation involves an assessment of being good, bad, or somewhere in between (cf. Roberts & Dowling, 2002). Our expectation is that business schools that possess strong reputations will be highly salient to key partners, such as corporate recruiters. Surveys of corporate recruiters have identified limited time and limited resources as the most important barriers for firms trying to recruit MBA students (Graduate Management Admissions Council, 2007). Faced with this constraint, recruiters must prioritize their time at the programs deemed most likely to fill their hiring needs. Prior studies have identified variables such as student characteristics, media rankings, and program quality as influencing recruiters' choices in selecting business schools to visit (Olkin, 2004; Safon, 2007).

In considering the elements of the RWPS model, student and faculty quality would represent two of several tangible attributes that reflect an intangible resource (i.e., reputation), which in turn influences a school's prominence. Influential third parties would also offer opinions and views that would bear upon the school's position. None of these is independent; the qualities of the students and faculty shape perceptions by external constituencies, and vice versa. The combination of student, faculty, and external member views could coalesce to create causal ambiguity and thereby shape the school's position or prominence in its market (Reed & Defillippi, 1990). Higher quality students, an energetic and successful faculty, and positive assessments by external parties would likely produce complementary relationships that are unique, valuable, and difficult to imitate and that lead to higher performance in terms of graduate salaries and school rankings. Overall, the synergistic bundles of student, faculty, and constituent factors would be related to a school's prominence and ultimately to its performance. Based on this rationale, we expect that MBA programs with a strong reputation will be more visible in the eyes of corporate recruiters:

Hypothesis 1: Reputation will have a positive effect on prominence.

Figure 2
Results of Revised Model



Note: Certain terms (e.g., theta and phi matrices) are omitted for ease of representation. The t values of parameters are noted in parentheses. The significance levels are as follows: $t = 2.0$, $p \leq .05$; $t = 2.7$, $p \leq .01$; $t = 3.5$, $p \leq .001$.

Faculty Experience and Prominence

The RWPS model depicts faculty experience as a proxy of the quality of a school's faculty. Rindova et al. (2005) hypothesized that experience would have a positive effect on one aspect of reputation and a positive indirect effect on prominence. However, the literature highlights an alternate scenario wherein faculty experience is unrelated to quality metrics such as research productivity and influence on knowledge creation and may actually have a negative effect on prominence. Drawing from recent RBV research, resources and capabilities can vary over time. Capabilities evolve through several life cycle stages, and resources can erode as they get older (Helfat, 2000; Helfat & Peteraf, 2003). Applying this logic to a university setting, it follows that the value of faculty experience could decline over time. Specifically, faculty experience covaries strongly with personal age, academic rank, and the proportion of faculty members who are tenured (Gomez-Mejia & Balkin, 1992). Although experienced academics have the potential to accrue much knowledge—both in content areas and pedagogy—there is

also the potential to have lost touch with current research and managerial practice. In addition, faculty with longer tenure may become more committed to the status quo and exhibit inertia (Miller, 1991).

Furthermore, research on faculty publication and influence is supportive of the possible decline in the value of the experience resource. Research productivity typically dips shortly after tenure, typically around 6 or 8 years post-PhD (Park & Gordon, 1996). This pattern has been explained by the declining marginal utility of additional publications: Because publication norms are low in many fields, faculty members accrue more utility from their 1st or 2nd articles than from their 10th (Tuckman & Leahey, 1975). For example, in the strategic management field, having just one A-tier article is enough to keep a professor ranked in the 75th percentile, even 10 years postdegree (Boyd et al. 2005). In addition, years of experience has inconsistent ties with faculty influence (Diamond, 1988; Helmreich, Spence, Beane, Lucker, & Matthews, 1980), as measured by frequency of citation (Bergh, Perry, & Hanke, 2006). Overall, although there are certainly exceptions, on average, it appears that most faculty members become less engaged with research as time passes. This lack of involvement will weaken their ability to accrue or retain prestige and will also increase the likelihood that their content knowledge may become obsolete.

A business school composed mainly of more experienced faculty could experience a decline in the value of its faculty resource relative to other business schools that have higher numbers of less experienced faculty. We expect that business schools that are top heavy with highly experienced faculty will have lower prominence and be of lesser interest to recruiters.

Hypothesis 2: Faculty experience will have a negative effect on prominence.

Prominence and Performance

Our final hypothesis concerns the starting salaries for MBA graduates. Although we agree with Rindova et al. (2005) that prominence leads to higher starting salaries, RBV offers some different reasons for this link. First, higher quality resources that lead to higher values of prominence represent an intangible advantage that cannot be easily replicated. Buyers pay a premium to the more prominent organization when its services are perceived as more differentiated and valuable. Second, buyers may seek spillover benefits through purchasing a prominent product or brand and are thereby willing to pay a premium. Finally, a supply-and-demand imbalance can arise in favor of prominent providers—for example, leading business schools produce far fewer graduates than employers want. This disparity allows the graduates of such programs to extract premium prices for their labor. Hence, the RBV approach proposes that the resources of the firm translate into a prominence advantage that influences value creation.

Higher starting salaries are an important metric of institutional success. From a student's perspective, starting salary helps to drive lifetime earnings potential: In a survey of 1,126 MBA graduates, starting salary was found to be a key determinant of current salary, even 10 years postdegree (Olson, Frieze, & Good, 1987). Although completion of an MBA is associated with higher wages (Dreher, Dougherty, & Whitely, 1985; Pfeffer, 1977), this effect is

more pronounced for graduates of elite institutions (Dugan, Grady, Payn, & Johnson, 1999). Presumably, prospective students will seek out the most prominent program that they can be admitted to in order to maximize future income. From an employer's perspective, the decision to pay higher starting salaries to graduates of certain programs is a metric of the human capital of these students: "Given the competitive labor market for MBAs, salaries will reflect the willingness of employers to pay for the attributes embodied in a program's graduates" (Tracy & Waldfogel, 1997: 4). In fact, companies that actively recruit graduate business students (i.e., via on-campus interviews) offer 24% higher starting salaries for MBA graduates than firms that do not actively recruit on campus (Graduate Management Admissions Council, 2007). Finally, higher alumni salaries are desirable to the institutions themselves. Partly, higher salaries are desired simply because they are seen as indicators of a successful program (e.g., Williams & Harrell, 1964). More important, higher starting salaries enable institutions to charge higher levels of tuition (Tracy & Waldfogel, 1997), which in turn can be used to underwrite initiatives to boost program reputation (Pfeffer & Fong, 2002). Therefore,

Hypothesis 3: Prominence will have a positive effect on starting salary.

Support for our model and our specific predictions would shed new light on the role of reputation. More generally, such support would have theoretical implications for the RBV. In an article that was fiercely critical of the RBV's conceptual rigor, Priem and Butler (2001) asserted that the RBV suffers from a significant "black-box" problem in that the question of *how* resources shape performance remains unanswered. As Ketchen, Hult, and Slater (2007: 962) note, "A simple resources–performance link obviously lacks face validity. At the risk of being flippant, customers do not mail checks to a company just because the company possesses certain resources." If our hypotheses are supported, this would mean that prominence plays an intervening role between reputation and performance. Recent conceptual work on what is in the black box between resources and performance centers on internal factors such as structuring a resource portfolio, bundling resources, and leveraging resources (Ketchen et al., 2007; Sirmon, Hitt, & Ireland, 2007). Our predictions augment these views by pointing toward the potential role of an external factor—the degree to which an organization is viewed as prominent—in the resources–performance link.

Method

Sample and Measurement

Our analyses were based on the correlation matrix reported by Rindova et al. (2005). The use of their study data provided the ability to compare directly their model with an RBV approach. The sample was composed of 107 business schools that had accredited MBA programs and had annual enrollments of at least 50 students in their full-time MBA platforms. The original data were collected from multiple sources, including faculty profiles, multiple published sources, and surveys of 1,600 corporate recruiters. Descriptive statistics are reported in Table 1.

Table 1
Descriptive Statistics

	1	2	3	4	5	6	7	8
1. Starting salary	1							
2. Quality	.22*	1						
3. Prominence	.60*	.32*	1					
4. GMAT scores	.50*	.33*	.70*	1				
5. Faculty experience	-.17	-.07	-.17	.20	1			
6. Media ranking	-.38*	-.21*	-.79*	-.67*	.04	1		
7. Faculty publications	.39*	.17	.71*	.71*	-.03	-.76*	1	
8. Faculty degree prestige	.49*	.31*	.68*	.73*	-.04	-.66*	.69	1
Mean	61,449.29	7.70	21.35	614.76	16.34	49.02	62.81	4.34
Standard deviation	15,827.66	1.13	24.97	46.16	2.35	20.29	62.50	0.29

* $p < .05$.

Prominence. Each recruiter was asked to identify three schools that he or she would like to rate. Prominence was measured as the number of nominations for each university.

Starting salary. This was the mean starting base salary of MBA graduates at a given school, excluding bonus pay or other benefits. Salaries were adjusted to reflect the difference in cost of living across regions. Data for this item were collected from *U.S. News & World Report*.

Perceived quality. Recruiters evaluated MBA students on 13 criteria (e.g., strategic thinking, team skills, interpersonal skills), which were then aggregated into a composite index score. Interrater reliability was .95, and Cronbach's alpha was .98 for this measure.

GMAT scores. The mean score of entering MBA students was collected from *U.S. News & World Report*.

Faculty publications. Data were collected for faculty publications at each institution, over a 5-year window. Publications were counted using the *Financial Times* listing of premier journals, which includes a total of 36 scholarly and practitioner outlets across business disciplines.

Degree prestige. This item was measured as the average prestige level of the degree-granting institution for a school's set of faculty. Scores were based on the Gourman Report.

Faculty experience. This variable was defined as the mean number of years since a school's faculty members had completed their doctorates.

Analysis

We tested the hypotheses using LISREL, as did Rindova et al. (2005). We used generalized least squares (GLS) estimation: GLS is more robust than maximum likelihood estimation in

the face of departures from normality, and there were large interitem correlations between several indicators. Multiple fit measures are desirable when comparing alternate structural models (Medsker, Williams, & Holahan, 1994). To conduct a robust assessment of our model relative to that of Rindova et al., we included eight summary measures of model fit in our analysis. Our first three items—chi-square, goodness of fit (GFI), and root mean square residual (RMSR)—are typically the most widely used indicators of model fit. These measures have the potential for upward bias in models that utilize more parameters (Kline, 1998), so our next three items adjust for model complexity— χ^2/df , Akaike information criterion (AIC), and standardized chi-square. Finally, we include two items that measure fit relative to a baseline null model—the comparative fit index (CFI) and the incremental fit index (IFI). Each of these eight indicators has unique strengths and weaknesses. Therefore, by using a broad array of indicators, we can provide a comprehensive comparison of the two models.

Results

Table 1 reports descriptive statistics for the variables examined. We followed a two-stage process with our hypothesized model: We started with a separate confirmatory factor analysis (CFA) of our multi-indicator model of reputation. Consistent with our RBV-based expectation that reputation is a unidimensional multi-indicator construct, a CFA of our five indicators reported a nonsignificant chi-square of 9.09 and had significantly better fit than an alternate model treating indicators as independent. GFI was 0.97 and RMSR was 0.05 for the submodel. All indicators loaded in the expected direction and at significance levels of .01 or .001. Media ranking is reverse scored, so its negative loading is consistent with expectation. Strong support for the CFA allowed us to proceed to the second stage: hypothesis testing.

Hypothesis Tests

Figure 2 shows the results of the model used to test our hypotheses. To facilitate comparison, we reran the RWPS model using GLS estimation to create comparable statistics. Summary fit indices for both models are shown in Table 2. Our hypothesized model reported superior fit on all eight of these measures. The differences in fit were minor for GFI and CFI and far more substantial for all other measures. In addition, comparisons should go beyond summary fit measures to include levels of explained variance, parsimony, and the significance and interpretability of individual parameters (Henley, Shook, & Peterson, 2006). Parsimony is often viewed as a desirable attribute for structural models. Variable configurations that have more parameters have the potential for better fit simply through chance (Mulaik, 1998) and inflated fit scores (Bollen, 1989; Kline, 1998). Consequently, if two competing models have comparable fit index scores, the model with more degrees of freedom is considered preferable (Raykov & Marcoulides, 1999: 293). Because our model reports better fit on all eight indices and does so with fewer parameters, this configuration of variables appears to be advantageous. Finally, in terms of explained variance, the R^2 for our dependent variables is .79 for prominence and .45 for starting salary. Rindova et al. (2005) reported an R^2 of .69 for prominence and .36 for starting salary.

Table 2
Summary Fit Statistics for Alternate Models

	Model				
	Rindova, Williamson, Petkova, and Sever (2005)	Figure 2 Hypothesized Model	Figure 3a	Figure 3b	Figure 3c
χ^2	46.95 (4)	43.03 (2.5)	55.63 (5)	39.30 (1)	43.03 (2.5)
df	14	19	19	17	18 (3)
χ^2/df	3.36 (5)	2.26 (1)	2.92 (4)	2.31 (2)	2.39 (3)
AIC	18.98 (5)	5.03 (1)	17.63 (4)	5.30 (2)	7.03 (3)
Standardized χ^2	6.23 (5)	3.90 (2)	5.94 (4)	3.82 (1)	4.17 (3)
GFI	0.89 (4)	0.90 (2.5)	0.87 (5)	0.91 (1)	0.90 (2.5)
RMSR	0.12 (5)	0.09 (2.5)	0.11 (4)	0.08 (1)	0.09 (2.5)
CFI	0.57 (4)	0.59 (3)	0.47 (5)	0.62 (2)	0.69 (1)
IFI	0.63 (4)	0.72 (2)	0.58 (5)	0.74 (1)	0.71 (3)

Note: Akaike information criterion (AIC) is calculated as $\chi^2 - 2df$. Standardized χ^2 is calculated as $(\chi^2 - df) / (2df)$. Scores in parentheses represent rank score on each item. Lower score indicates better fit. GFI = goodness-of-fit index; RMSR = root mean square residual; CFI = comparative fit index; IFI = incremental fit index.

Hypothesis 1 stated that reputation would have a positive effect on prominence. The path coefficient was .96, with a highly significant ($p < .001$) t value of 12.1. Not surprisingly, MBA programs that have strong reputations are seen as more prominent by corporate recruiters. Hypothesis 2 stated that faculty experience would have a negative effect on prominence. This hypothesis was also strongly supported. The path coefficient was $-.20$, with a t value of 2.9 ($p < .01$). In other words, schools of business whose faculty have served for longer periods of time are considerably less prominent in the eyes of corporate recruiters. Hypothesis 3 stated that prominence would have a positive effect on starting salary. This hypothesis was supported, with a path coefficient of 0.66 ($p < .001$). In summary, the results supported all three hypotheses.

Collectively, the findings suggest that our model represents an advance over its predecessor. The extant model included eight causal paths between variables, with two of those paths being nonsignificant. In contrast, our model has only three causal paths, more degrees of freedom, and substantial improvements in explained variance. Combined with improvements in summary fit measures, our model is advantageous due to its parsimony, greater explanatory power, and lack of unsupported hypotheses.

Tests of Alternative Models

To reduce the likelihood that our model is misspecified, we tested several alternate, plausible models. These models adopt different plausible assumptions regarding both causal ordering and dimensionality. Table 2 shows summary fit indices for these models.

Alternative Model 1 considered whether prominence would fit better as an indicator of reputation than as a mediator of reputation and starting salary. This model offers a supplementary

Figure 3
Alternate Models
Figure 3a
Prominence as Exogenous Term

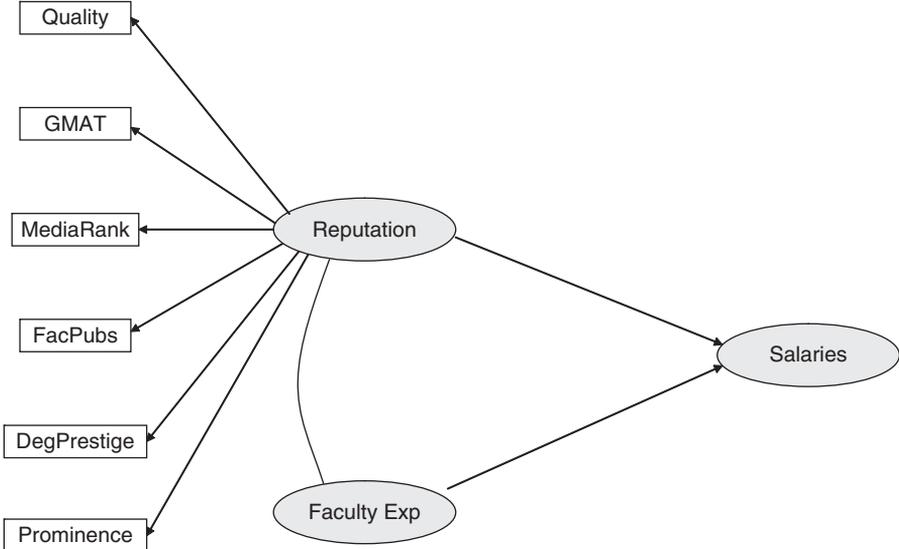


Figure 3b
Direct Effects on Starting Salaries

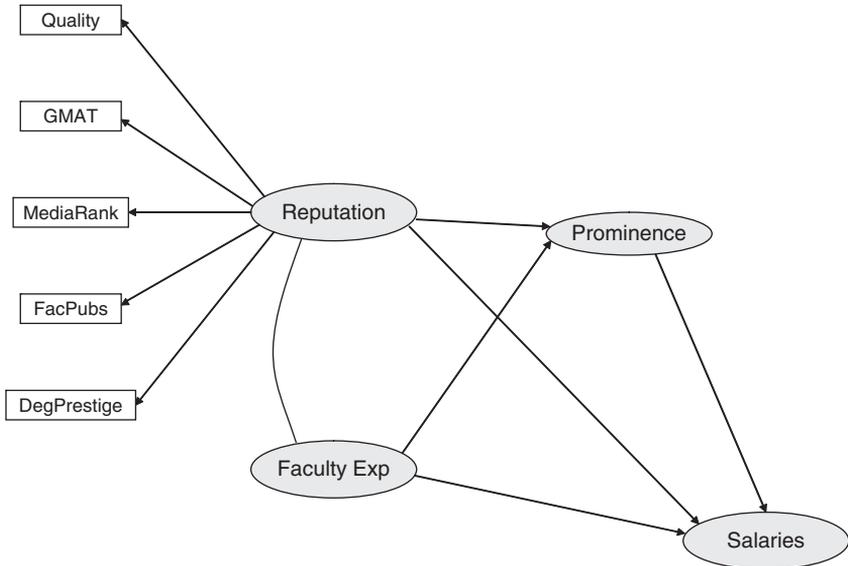
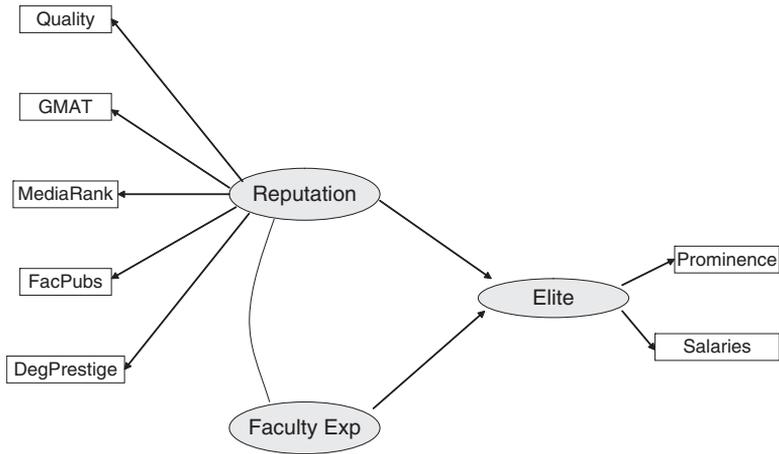


Figure 3c
Prominence and Starting Salaries as Common Factor



test of Hypothesis 2: If the logic of prominence as a distinct mediator is flawed, the factor structure of this alternative should offer a better fit. This simplified model has two exogenous terms, reputation and faculty experience, and starting salary as the sole endogenous term. Prominence is shifted from being an endogenous term to a sixth indicator on the reputation factor model. A graphic representation of this model is shown in Figure 3a. This model reported worse fit than our proposed model on all eight summary indicators. For example, although this model has the same degrees of freedom as our hypothesized model, the χ^2 is 55.63—a difference of 11.64. Thus, our model is significantly better than Model 3a.

Alternative Model 2 considered whether reputation and faculty experience would have direct effects on starting salary, independent of the mediated effect through prominence. This question was explored through a fully saturated alternative to our hypothesized model and is shown in Figure 3b. Because this model and our hypothesized model are hierarchical, or nested (i.e., they differ only in the presence or absence of one or more paths), a chi-square difference test is the most powerful comparison, as it determines whether one model is a statistically significant improvement over the other (Bollen, 1989). The change in chi-square was not a significant improvement, forcing us to reject this alternative.

Alternative Model 3 considered whether prominence and starting salary would better fit as indicators of a common construct versus sequential endogenous terms. Because on-campus recruiting is associated with higher wages, it is possible that prominence and salaries are aspects of the same phenomenon, versus the causal chain that we predict. This simplified model has reputation and faculty experience as exogenous terms. We created a multi-indicator endogenous construct, termed *elite*, composed of two indicators: prominence and starting salary. This model is shown in Figure 3c. Overall, most indices reported that this alternative

fit the data more poorly than did our hypothesized model. In addition, this alternative also reported a R^2 greater than 1 for one of the y indicators.

Discussion

Reputation plays a key role in the effort to understand why some organizations outperform others. A recent study by Rindova et al. (2005) advanced knowledge of the reputation–performance relationship by proposing that reputation consists of separate dimensions that have independent value-adding effects. They characterize the reputation literature as having two streams, one that reflects an economic-signaling, perceived quality aspect and another that resembles an institutional stream centered on prominence. Although Rindova et al. (2005) acknowledge that reputation can act as a resource that has performance implications, they do not conceptualize and test a resource-based explanation. Yet, based on the meta-analytic evidence presented by Crook et al. (2008), there is reason to believe that such an explanation has significant merit. The present study reexamines the approach of Rindova et al., adding the RBV conceptualization as an attempt to build on their findings and produce a more complete understanding. The results indicate that the RBV approach is empirically more viable and that the effects of reputation’s dimensions are stronger when it is considered as a broad, multiple-indicator concept. The findings further develop the link between reputation and performance and provide another direction for developing explanation and knowledge of this relationship. Below, we discuss the implications of our findings.

Implications

We tested a central theoretical premise that distinguishes between the RWPS model signaling and institutional framework and an RBV model: whether reputation is better construed as multiple constructs or as a single construct. Although our findings indicate that the signaling and institutional approach has impressive explanatory power and insights, the results more strongly supported the RBV’s expectations, with all five indicators loading on a single factor. Consistent with RBV logic, reputation is perhaps best viewed as an intangible asset that is revealed via a confluence of internal factors and external perceptions (cf. Barney & Mackey, 2005). In the RBV approach, internal and external factors would have complementary relationships that create causal ambiguities that contribute to a valuable reputation and competitive advantage (Dowling, 2001; Reed & DeFillipi, 1990; Roberts & Dowling, 2002). Moreover, these findings may pinpoint an uncertainty in the RWPS integrated model: It is theoretically unclear how any of its antecedents could create value together, as managers ultimately have to manage interdependencies among the determinants and conditions that create reputation.

In addition, the results suggest that combined relationships among the components form valuable, difficult-to-imitate, and rare resources, the essential building blocks of the RBV’s explanation of performance differentials among firms (Barney, 1986a, 2001). This reasoning extends a central premise in Rindova et al.’s (2005) logic, namely that the combination of

determinants rather than their independence appears to better represent the complex nature of the reputation concept and how it produces value. This is an important distinction between the integrated signaling and institutional approaches and the RBV; the value-creating properties of reputation appear to be less associated with incremental and staged development and come more from interrelationships that may have causal ambiguity, rareness, and intangibility. Certainly, reputation would have some attributes that can be disentangled to represent signals, but their aggregated and combined effects seem to better explain how reputation creates value. Although Rindova et al. motivate their model as an attempt to provide more transparency and clarity in the reputation concept, there appears to remain much value in considering the interdependencies among reputation's underlying determinants.

Furthermore, although the two-stage RWPS model represents a more detailed depiction of reputation and reflects an important evolution in the development of the concept, there appears to be stickiness among the attributes whose value is omitted when the components are considered independently. The determinants of reputation appear to have a synergy affect, where their integration creates more value than when the parts are considered separately. Rindova et al. (2005) offer a conceptual respecification and deconstruction of reputation, but the performance implications appear to be stronger when we consider reputation's interdependencies together rather than separately.

The study findings contribute to the more general understanding of reputation and performance. Whereas prior research has documented that reputation is important for performance (Fombrun & Shanley, 1990; Hall, 1992) and can have enduring effects (Roberts & Dowling, 2002), we know little about how the dimensions of reputation create value. Rindova et al. (2005) provide an important contribution by developing and testing an integrative and comprehensive model. Our study appears to support the addition of another perspective, as the findings provide empirical evidence for the reasoning that the synergy of the determinants matters; the interactions of internal and external factors could lead to complexities and causal ambiguities that are difficult to imitate and therefore likely to be advantageous. Reputation is an intangible resource that has financial consequence, so the RBV model would appear to have some relevance to the more general reputation literature.

A key assumption underlying our model is that the broad, multi-indicator depiction of reputation would have a positive effect on prominence. This is another area where the RBV model builds on the RWPS model. In the previous conceptualization, media ranking, faculty publications, and degree prestige directly drive prominence. In this scenario, the antecedents are depicted, in essence, as levers—a business school seeking to enhance its prominence could simply boost its publications, for example. We find stronger support for a conceptualization that eschews this tight coupling. In the RBV model, organizations seeking to become more prominent do so through the emergence and management of an intangible strategic asset, reputation. Tangible measures such as publications are indicators of this asset, but the process by which the asset evolves is characterized by loose coupling and causal ambiguity. Because our model reflects the inherent complexity of organizations, it may offer enhanced face validity in addition to greater predictive validity.

A key difference between our model and the RWPS model is the role of prominence. In our model, prominence plays an intervening role between reputation and performance,

whereas in the latter prominence is an element of reputation. The results supported our framework. To the extent that future results reinforce this conclusion, there are important conceptual and practical implications. Conceptually, the intervening role of prominence highlights that the often studied resource and performance link is an oversimplification. Our study adds empirical evidence to support recent calls to reveal the conceptual black box between resources and performance (Ketchen et al., 2007; Sirmon et al., 2007). These recent calls highlight the roles of internal factors such as structuring a resource portfolio, bundling resources, and leveraging resources. In contrast, our results suggest that external factors, such as the degree to which an organization is viewed as prominent, play a role in the resources–performance link. Among the organizations we examined, a business school that is viewed positively by stakeholders but remains obscure among those stakeholders cannot expect performance benefits from its positive reputation.

From a practical standpoint, organizations interested in enhancing their performance may need to work to ensure that they remain salient in the minds of key stakeholders. Because reputation does not have a direct effect on performance, being viewed positively is only valuable to the extent that an organization is also highly relevant. Human cognition operates under an availability bias wherein information that is easy to recall (e.g., due to its recentness or its vividness) shapes opinions more than it objectively should (Tversky & Kahneman, 1974). This suggests that there is potentially great value in regularly reminding stakeholders about an organization and its accomplishments, such as many business schools do by sending newsletters touting their accomplishments to deans at other business schools.

Consistent with an RBV approach, we found that faculty experience has a negative effect on prominence. This presents normative implications for business schools. Traditionally, some schools seeking to become more prominent have attempted to do so by hiring older, established stars, usually at very high salaries. However, as noted in our literature review, years of experience has reported mixed results as a proxy for influence. Our results suggest that business schools shopping in the academic “free-agent” market need to downplay these stars’ reputations in their decision making and focus on stars’ recent productivity. Certainly, landing a well-known scholar who continues to produce high-quality research is very desirable. However, these people are rare, and they are in tremendous demand. Schools that are unable to obtain such a person must consider other options. We suggest that they would be wise to avoid formerly prolific, highly recognized scholars and instead target their scarce recruiting dollars on hiring midcareer high achievers whose professional reputations are likely to grow over time. This finding is consistent with Barney’s (1986b) strategic factor market argument, whereby acquiring unique and valuable resources generally includes a premium that discounts their ultimate contributions.

Although faculty experience is negatively related to prominence, it appears unconnected to other study variables: Experience does not load on the reputation dimension and also has no direct effect on MBA starting salaries. A supplementary analysis also rejected the argument that experience was a consequence, versus a cause, of prominence. What is it, then, about having a long-tenured faculty that leads a business school to be less salient in the minds of recruiters? One possibility is that long-tenured faculty members are less likely to create up-to-date, cutting-edge curricula that appeal to recruiters. In this scenario, highly

experienced faculty become “stale in the saddle” (Miller, 1991) and grow to resist new ideas and approaches to MBA education. This in turn makes their MBA programs less appealing to recruiters. In terms of practice, this suggests that programs with long-tenured faculty members can benefit substantially from benchmarking against other programs. It also suggests the rejuvenating value of infusing new blood into a program by bringing junior faculty into the fold. Indeed, because faculty experience is negatively linked to prominence, which in turn is positively linked to salaries, reducing the level of faculty experience via the infusion of new faculty may enhance performance. Alternatively, deans may be able to turn back the clock with long-tenured faculty members by convincing them to be open and engaging with novel ideas about and approaches to MBA education. One possibility is that the causal mechanism is actually group composition versus age. With time, groups often become more rigid and insulated from outside events and trends. A high score for experience may simply reflect a dearth of new faculty members and reflect the calcification associated with group-think. Overall, it is important for experienced faculty members and the administrators that lead them to recognize that “being old” and “acting old” are two different conditions. The former cannot be changed, but the latter certainly can.

In sum, our findings contribute to knowledge on the reputation–performance relationship in two important ways. Viewing reputation within a sequential chain rather than as consisting of independent dimensions provides a more parsimonious model. The RBV model indicates that the combination of resource factors represents a stronger explanation of differences in firm performance. In addition, the results indicate that adding resources more likely to grow and develop has higher performance potential. By integrating several disparate resources, reputation can become more difficult to imitate and provide a more sustainable source of competitive advantage.

Limitations and Future Research

Our study’s findings should be viewed within the context of its limitations. In particular, the use of U.S. business schools as the sample creates limitations. Our conclusion that the evidence favors a depiction of reputation as unidimensional is grounded in data whose relations may not be generalizable to other industries and countries. For business schools, students represent both products and customers. This is a fairly unique configuration of roles. As such, we cannot dismiss past research that has portrayed reputation as two-dimensional—such a depiction may hold in other settings. Furthermore, the above discussion pertaining to professor contributions are based on statistical tendencies, and attention should be paid to the full range of variance, not just means. Experienced professors vary widely in their skills and currency. Indeed, in many cases, a few very crucial and experienced professors are the lynchpins to a business school’s high-quality and positive reputation. The tenure system ensures that faculty members who are close to retirement are more likely to be less involved professionally than are junior faculty, because junior faculty fitting this bill are excused. Our results may therefore reflect a structural arrangement as much as they reflect an experience effect. We certainly do not advise deans to attempt to phase out senior faculty or usher them into early retirement in an effort to boost their graduates’ salaries. Clearly, such contributions as

leadership and process management provided by senior faculty are also important to ensuring success on other performance dimensions important to the school.

Despite its limitations, our study highlights potentially fruitful opportunities for future research. First, we hope that our reanalysis prompts additional inquiry into the process through which reputation influences performance. Reputation has been conceptualized as both a firm- and industry-level factor; thus, research that examines its multitheoretical and multilevel nature is needed. Potential interactive effects between resources need to be examined. For example, if a firm has a strong reputation and a strong culture, are the performance advantages accrued from these two resources additive, or can synergy between them create a multiplicative effect? Additional insight into the endurance of performance advantages, such as those emanating from reputation, is also needed.

More broadly, we encourage researchers to reexamine other studies that use SEM. Another approach to research that relies on leveraging published results, meta-analysis, appears to be growing in prominence in recent years among strategic management researchers. Such efforts have provided important conclusions to the literature, including that transaction costs do drive decisions about organizational form (Geyskens, Steenkamp, & Kumar, 2006), whereas capital levels do not (Combs & Ketchen, 2003). Opportunities to advance the literature by reexamining SEM studies appear plentiful, especially because most strategic management articles that use SEM do not discuss tests for alternative models (Henley et al., 2006). Given that we found evidence that supports another explanation within a SEM study, reevaluation of other studies may lead to further refinements in understanding. Such approaches provide a necessary and valuable contribution by providing sharper insights into theorized relationships (Boyd et al., 2005).

Conclusion

Reputation is an important concept in strategic management, and its role in value creation needs to be carefully delineated. Our purpose was to reexamine the reputation–performance relationship via the RBV. We find support for our contention that an RBV framework provides an enhanced platform for building knowledge about reputation and its performance effects. Importantly, the determinants of reputation appear to have synergistic relationships that create more value when considered collectively. As managers continue to navigate complex environments, our findings suggest that treating reputation as a broad, multi-indicator intangible strategic asset is an approach that can help them achieve superior performance.

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