

**NEW FRONTIERS OF THE REPUTATION – PERFORMANCE RELATIONSHIP:
INSIGHTS FROM MULTIPLE THEORIES**

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ABSTRACT

Understanding the influences on organizational performance is a key goal of the strategic management field. A prior study (Rindova, Williamson, Petkova & Sever, 2005) offered significant progress toward this goal in the context of the concept of reputation, through the application of multiple theories and alternate empirical tests. In a subsequent paper (Boyd, Bergh & Ketchen, 2010), we sought to extend that knowledge via the application of a third theoretical perspective and additional analyses. In this reply, we extend on the comments made by Rindova, Williamson and Petkova (2010) and offer additional theoretical insights on reputation, leveraging ideas from the resource-based view, transaction cost economics, signaling theory, and social status research. We also attempt to lay a foundation for future inquiry by using those theories to identify a series of research questions.

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Strategic management is often characterized as a still maturing discipline (Ketchen, Boyd & Bergh, 2008). For strategy researchers, it is small comfort that even the broader management domain, and business schools in general, are also considered to have a less developed paradigm than either the social or physical sciences (Boyd, Finkelstein & Gove, 2005). By debating what questions to ask, and how to answer them – i.e., debating theory and methods – scholars help to advance their field’s level of paradigm development (Kuhn, 1996). Similarly, we hope that our response to Rindova, Williamson and Petkova’s (2010) (RWP) comment will help stimulate additional thinking regarding the manner in which reputation shapes organizational performance and other outcomes.

The typical nature of the comment-and-response format is to emphasize differing opinions between researchers on a given topic. The commentary by RWP offers a series of methodological and theoretical critiques of our article (i.e., Boyd, Bergh & Ketchen, 2010) (BBK). In terms of methods, both the original study by Rindova et al. (2005) and ours (BBK) are based upon methodological precedence and generally accepted approaches, implying that more work needs to be done on reconciling different interpretations of how to best use structural equation modeling. However, what is striking to us is the common conceptual ground between RWPS and BBK, not the differences, and the potential for further developing our understanding of reputation and moving knowledge about it forward.

From our perspective, three key areas of consensus exist across RWPS and BBK. First, each is motivated by critical gaps in understanding the concept of reputation. A strong reputation is a powerful tool in the search for competitive advantage, as shown by studies linking reputation to performance. However, this same body of research “offers a less clear picture of what reputation actually is, and how it is formed” (RWPS: 1033). As such, it is critical to foster a

discussion of construct definition as well as the causal process associated with reputation. Second, both papers agree on the merit of multiple theoretical lenses. RWPS demonstrated that both economics and institutional theory can help fill the knowledge gaps associated with reputation. Subsequently, we extended the scope of theoretical coverage via the application of the resource-based view. Direct comparison of competing theories is central to the process of paradigm development (Kuhn, 1996). The final point of commonality is the mutual recognition of the utility of examining alternative models. RWPS note (p. 1034), "...the development and testing of such alternate models is important because scholars have argued that the creation of reputation is causally ambiguous. By comparing the alternate models to the theorized model, we provide greater theoretical clarity about how reputation is built." Toward that end, RWPS ran a series of alternate causal models, including non-hypothesized direct effects, and even switching the causal order of hypothesized effects (e.g., swapping the direction of effect between quality and prominence). Similarly, BBK used the resource-based view to develop another possible configuration of the eight study variables, and also tested additional configurations.

Stepping back, the creation of knowledge is akin to a geological process: each test, confirmation, and disconfirmation adds another level to the strata. Such sedimentary knowledge is then exposed to the crucible of heat and pressure – the comparison of divergent theoretical perspectives. Through this process, individual grains of sand (i.e., data points) are transformed into blocks of marble (i.e., robust theories). In pursuit of a more robust understanding of reputation and to help further produce a set of future research directions, the goal of this paper is to apply additional metamorphic pressure. We begin by extending our discussion of the resource-based view (RBV), including 'black box' processes and Barney's (1991) framework for analyzing strategic resources. Next, we extend the economics focus of RWPS through a review

of transaction cost economics. Third, we delve deeper into signaling theory through the application of equilibrium behaviors. Finally, we explore how sociological perspectives on status offer refined insights regarding reputation.

REPUTATION AND THE RESOURCE-BASED VIEW

Both sets of authors agree that there is a need for further conceptual development regarding reputation as a strategic resource. With this need in mind, we go ‘back to basics’ and consider how reputation fares when juxtaposed with the criteria for strategic resources laid out by Barney (1991) and now more fully articulated as the familiar ‘VRIO’ framework (i.e., strategic resources are those that are *valuable*, *rare*, free from *imitation*, and accompanied by *organizational* resources sufficient to utilize the resource effectively). In other words, we consider in more detail the question: “Can a good reputation serve as a strategic resource?” (see also Lin, Yang & Arya, 2009). In doing so, we attempt to lay a more solid theoretical foundation for inquiry about reputation that adopts a resource-based perspective.

To be considered a strategic resource, a resource must be *valuable*. As RWP note (p.3), “much of the current work on [reputation] has focused on establishing that reputation is a valuable intangible asset by showing its effects on firm performance” – an approach used in their study. While the notion that reputations are valuable seems well established (e.g., Roberts & Dowling, 2002; Shamsie, 2003), there is also evidence that performance is an antecedent to reputation rather than a consequence (Deephouse & Carter, 2005; Fombrun & Shanley, 1990; Sobol & Farrelly, 1988). Highhouse, Brooks, and Gregarus (in press: 14), for instance, develop a conceptual framework that demonstrates how firm performance can shape an individual’s perception of a firm, which, in turn serves as “the foundation of a collective reputation assessment.” Taken together, there is uncertainty about the extent to which reputation enhances

or erodes performance and the extent to which performance enhances or erodes reputation.

Untangling this ‘chicken and egg’ dilemma represents an important opportunity for future research on reputation and, more generally, for resource-based inquiry (Priem & Butler, 2001).

Efforts to resolve this dilemma must recognize that any strategic resources-performance link is underspecified. A black box problem exists in that there is no rigorous logic supporting a direct link between resources and performance (Sirmon, Hitt & Ireland, 2007). 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.” With regard to reputation as a resource, we believe that the conceptual model tested in BBK represents a step in the right direction as theoretical and empirical support was provided for a mediated rather than direct relationship. Looking to the future, the literature can further advance if reputation and performance are placed within conceptual models that are richer than ours. A good template for such efforts is Zhou, Li, Zhou and Su (2008). This study depicted market orientation as a strategic resource within a model that includes other key steps in the RBV’s causal chain: strategic action, competitive advantage, and performance (cf. Barney, 1991).

A strategic resource must be *rare*, meaning that within the relevant set of organizations, there is a meaningful difference between the total number of organizations and the number of organizations that possess the resource. Rarity is a tricky criterion within RBV research because its definition implies a binary distinction, while studies that measure strategic resources directly tend to suggest that such resources are distributed as continuous variables. For example, Deephouse and Carter (2005) assessed financial reputation using return on assets and public reputation using the content of news reports, and found firms to be normally distributed along

these variables. Where along such a distribution does the tipping point occur whereby reputations become 'good'? Indeed, it seems difficult to argue that a good reputation is rare among the organizations in a sample if reputation is measured via one or more continuous variables. This would imply that any resource is rare, simply because some firms are, by definition, stronger along a distribution than others. If all resources are rare, rarity loses its utility in helping to differentiate strategic resources from other resources.

This problem helps illustrate the advantages of treating resources as latent constructs, as was done in BBK, as well as in other RBV studies (e.g., Hult & Ketchen, 2001; Hult, Ketchen & Slater, 2005). By tapping into a resource's conceptual space using reflective indicators, such studies avoid the problems associated with using continuous measures to capture rare resources. The alignment of theory and method is a key issue here. Using reflective indicators is consistent with strategic resources' "unobservable" nature – intangible phenomena may be better captured via related tangible phenomena than via direct proxies (Godfrey & Hill, 1995: 523), especially proxies that are normally distributed. The good fit between the nature of strategic resources and the reflective indicator approach that we used led Barney and Mackey (2005: 5) to highlight the merit of using "the latent construct function of structural equation modeling to tap into intangible resources."

A strategic resource must be *inimitable*, meaning that it is difficult for organizations that do not possess the resource to duplicate the resource. As RWP note, reputation is a socially constructed resource; one that stakeholders must confer to an organization (see also Lin et al., 2009). As with personal reputations, organizational reputations are developed over time as actions are observed by stakeholders and attributions are made about the character of those taking the actions. Reputations are also subject to causal ambiguity and social complexity -- it is

often difficult to determine exactly how and why a reputation came about originally – Barney, 1991, Lin et al, 2009; Reed & DeFilippi, 1990). Thus, reputations appear to be inimitable – an organization can attempt to build a stronger reputation, but when and even whether these attempts will be successful is impossible to predict.

Finally, even if a strategic resource is valuable, rare, and inimitable, appropriate *organization* must be in place in order to exploit the resource’s potential. This need is readily apparent in the business schools investigated by both RWPS and BBK. Many business schools have created administrative processes specifically devoted to enhancing their reputations, such as through media rankings. Although well intentioned, these efforts can become counter-productive. As Gioia and Corley (2002: 108) observe “news media rankings of business schools now seem to have taken on a life of their own, and their demigod-like character forces all schools to make changes that conform closely to their measurement criteria.” Ironically then, the organizational processes created to enhance and exploit a strategic resource (i.e., reputation) has led at least some business schools to migrate away from focusing on the substantive attributes that underlie their reputation (such as unique programs) in favor of conforming to norms set by media outlets and managing the impressions of those outlets via publicity mechanisms.

We believe there are broad theoretical questions in play here: For any given strategic resource, is there an inflection point beyond which efforts to further organize around the resource become detrimental to performance? If so, how can organizations recognize that an inflection point is being approached and then resist momentum toward the inflection point? Finding answers to these questions would represent important progress toward understanding how, why, and when reputation serves as a strategic resource.

REPUTATION AND TRANSACTION COST ECONOMICS

Neither RWPS nor BBK considered reputation's implications for governance decisions. This is unfortunate because reputation has a central role in transaction cost economic (TCE) explanations of firm behavior. TCE focuses on transactions – the transfers of goods or services “...across a technologically separable interface [where] [o]ne stage of activity terminates and another begins” (Williamson, 1985: 1) – and whether this exchange takes place within a firm or between firms. The decision on how the transaction is managed usually depends on whether specific assets are involved (Williamson, 1985, 1991). Such assets require specialized and costly investments, which can create bilateral dependencies among trading partners, creating the need for trust and cooperation, and in turn, protecting against the opportunity cost of failed investments (Tyler & Steensma, 1995). Reputation has been characterized as a specific asset, as it is particular to transaction partners (Williamson, 1991).

There are several ways that reputation can influence the cost of a given transaction. Initially, a firm must identify and screen potential partners. Faced with asymmetries regarding potential partners, reputation can become an important discriminating factor (Williamson, 1996). Partners carefully search for those whose reputations may give insights into their trustworthiness and cooperation, as selection favors parties whose behaviors reveal a pattern of collaboration (Hill, 1990). Strong reputations tend to attenuate the incentives to behave opportunistically and reduce transaction costs associated with bounded rationality that are implicit in the overall costs of partner search and selection (Chiles & McMackin, 1996).

Reputation also affects the transaction costs associated with negotiation, drafting and enforcing contracts among partners. To start with, parties to a transaction may feel the need to include safeguards and incentives to protect their specialized investments from the costs of opportunism on behalf of their partner. But, , partners having good reputations are more likely

to be trusted more and contracts with such parties could have fewer safeguards and more flexibility as there is less risk in sharing information (Chiles & McMackin, 1996; Williamson, 1985, 1991, 1996). An important conclusion, then, is that partners with higher reputations tend to be trusted more, are not expected to behave opportunistically, and contracting with them poses lower transaction costs.

This logic suggests a critical tradeoff in the management of reputation. On one hand, partners having higher reputations may be depicted as more trustworthy and might not require expensive contractual features and safeguards. Alternately, partners still need to protect their transactions and reputations from opportunism. Achieving this balance between flexibility and complete contracts, which have lower costs and are associated with higher reputation, against the need for safeguards and incentives creates the specter of unanticipated governance costs. In turn, this may require an adjustment of the contract or even correction in how it is managed. When such costs increase in an unexpected fashion, the economizing features of the hierarchical governance mode may become less economical raising the need to reconsider the transaction and adapt how it is managed.

Viewing reputation from the perspective of TCE suggests a variety of intriguing research questions. The traditional TCE question is how best to organize a transaction; this generic issue considers how alternative modes of contract governance compare for purposes of conducting and governing a particular transaction. Reputation can be integrated into this logic to predict corporate-level decisions about partner selection in actions such as vertical integration, alliances, acquisitions and down-scoping. For example, to what extent is a firm's decision to grow by creating a new business from within its borders versus acquiring an existing business influenced by the reputations of the firm and potential acquisition targets?

Extending beyond the traditional TCE governance problem, Williamson asks ‘How should firm A – which has pre-existing strengths *and* weaknesses (core competencies *and* disabilities) – organize X?’ (1999: 1103; emphasis in original). This question focuses attention on how firms administer safeguards and incentives to protect reputations as valuable, intangible assets. This issue can be considered in terms of both how firms compete and how well they manage their partners. Viewed most generally, integration of ideas from TCE and the resource-based view of the firm are needed to further develop understanding of how firms attain and sustain reputational advantages.

Finally, strategy research would benefit from inquiry into the influence of competition on transaction costs, contract governance and reputation. The key question here is, ‘‘How does a firm’s pre-existing strengths and weaknesses compare to those of rivals with respect to a particular niche?’’ This question emphasizes how firms reposition themselves and the role that transaction costs play in that process. The managerial decisions involved are complex, ranging from developing reputation as a source of competitive advantage, impeding market forces from eroding value and rareness, and implementing governance safeguards and incentives that stand up to competitive pressures. Future research that relates the TCE process and factors to market positioning and competitive advantage would be new, fresh, and innovative.

REPUTATION AND SIGNALING THEORY

Signaling theory has often been used to explain how outside parties and observers react to informational attributes such as reputation. However, these applications often neglect the equilibrium principles that underlie signaling strategies and outcomes (Akerlof, 1970; Spence, 1973), and may, as a result, offer an incomplete depiction of the signaling model and its predictive logic. In particular, signals need to reduce information asymmetries between high and

low quality firms, the costs of the signal need to be higher for the low quality firm, and rational optimization paths exist for firms with respect to their quality and signal cost differences.

Integrating these conditions produce equilibria that offer new insights into the reputation and performance relationship. In what follows, we illustrate the concept of a signaling equilibrium using the classic employment problem as described in Spence's (2002) Nobel Prize speech (see also Spence, 1973, 1974) and described by McMillan (1992: 71-72). We then apply it the reputation – performance relationship.

Consider first an employer seeking to hire a worker. Two kinds of workers exist: highly productive (HP) and less productive (LP). Assume that the HP worker can produce \$200 worth of output while the LP worker's outputs are worth \$100. Productivity is innate to each worker, and cannot be directly ascertained by the employer before hiring. In addition, competition from other employers pressures the employer to pay employees at a level that reflects the full potential of their productivity at the time of the hiring. Thus, the employer faces an information asymmetry problem regarding the quality of the workers.

Next, before entering the job market, the worker decides whether to receive an educational diploma, a certification which has no direct effect on worker productivity (an innate quality). The employer believes that earning the diploma has differential costs between worker types: Achieving the diploma costs LP more than HP; the LP worker is not as motivated and committed and takes longer to complete the program resulting in extra fees, lost wages, and higher total expenses. These differences lead the diploma to cost the HP worker \$60 and the LP worker \$120. Thus, to the employer, the diploma becomes a signal of worker quality.

On the basis of differential rewards and costs, equilibria conditions can be determined. Equilibrium results when each participant maximizes his or her cost/benefit tradeoffs given the

expected behaviors of others. Spence defines a signaling equilibrium as “a situation in which employers’ beliefs about the relationship between productivity (which cannot be known at the time of the hiring) and [signals such as] education, job experience...[that] are confirmed by the results of his hiring in the market” (1974: 5). If the employer believes that earning a diploma means the worker belongs to the HP group, then the diploma is a signal of quality and equilibrium conditions can be identified which serve to guide the behaviors and outcomes of both worker types and the employer, leading to what Spence terms a ‘separating equilibrium’.

Returning to the example, recall that the employer pays \$200 to the worker that has the diploma (believing that s/he is an HP worker), and \$100 to the worker that does not have the diploma (defining him/her as belonging to the LP group). For the HP workers that have diplomas, the difference between the cost of attaining the diploma (\$60) and the wage (\$200) yields a profit of \$140. For these workers, the net profit of achieving the diploma (\$140) also exceeds what they would achieve by foregoing it (\$100). Similarly, the LP worker with no diploma is paid \$100, which has no educational cost levied against it. But, if this LP worker earns a diploma and incurs the higher costs of \$120 to realize the higher wage of \$200, the net profit is only \$80. Thus, optimal solutions exist for both worker types: The HP worker is better off getting the diploma ($\$140 > \100 in profit) while the LP worker is rewarded by foregoing the diploma and earning the \$100 rather than \$80. The net effect is that the diploma is an effective signal that not only reduces the information asymmetry facing the employer but also ‘separates’ the two worker groups into optimization strategies, reflecting the separating equilibrium conditions.

How can this logic be applied to RWPS’s consideration of signaling and reputation? RWPS posited linear and positive relationships between two resource signals (input quality and

perceived quality; the latter a proxy for organizational reputation), and one relationship between perceived quality and price premium (mean salary of graduates). Their argumentation appears to rest on the premise that all parties believe that higher input quality and higher quality of productive assets leads to higher reputation which in turn leads to higher mean base salaries. In signaling theory, this logic seems consistent with what is known as a “pooling equilibrium,” or that all business schools, students and recruiters are selecting the same strategy (Spence, 1973, 1974, 2002).

However, by using separating equilibrium principles and a broader range of performance variables, a different set of optimal solutions can be specified. First, lower reputation business schools would rationally benefit from recognizing that acquiring a high quality reputation would have excessively high costs and that instead an optimal strategic route would be to refrain from investing in the determinants of the signal. These schools need inputs and assets that just meet the expectations associated with their recruiters’ expectations and in so doing, their signal costs are lower, the prices they charge their students would be lower, as would be the price premium these students receive from the firms that hire them. By not investing in the determinants of the reputation signal, the lower reputation business schools avoid costs that cannot be paid by their students, and their students avoid incurring higher educational costs that cannot be recovered in their respective job markets (their potential employers are not likely to pay the same salaries as they would for graduates from the business schools having the higher reputations). The broad range of MBA tuition costs and starting salaries is consistent with the argument that universities intentionally take differing stances on the ideal level of investment: In 2007, tuition rates for the top decile of *Financial Times* MBA programs was approximately \$80,000, while the bottom

decile was approximately \$37,000 (Peters, 2007). Similarly, there are broad ranges in starting salaries between top-tier, second-tier, and unranked MBA programs (*Business Week*, 2009).

Like the LP worker in Spence's (1974; 2002) example, these schools and students realize greater profitability by not investing in the reputation assets similar to the high reputable schools. Thus, the lower reputation business schools and their students could still have high profit margins because they both pay less and earn less. By contrast, the higher quality business schools can signal their quality by investing in inputs and productive assets, as their students are willing to pay the higher price because they think it is worth it, and the hiring firms are willing to pay the price premium associated with the higher reputation schools because they think the students are better. Considered collectively, the business schools, their students and the hiring firms have their expectations met, thereby resulting in equilibrium conditions amongst all.

The logic of RWPS can be expanded to include a nonlinear relationship between the reputation signal and its outcome implications, where alternative and rational solutions exist for both the low and high reputation business schools. While the schools having low and high reputations have profit maximizing equilibrium opportunities to pursue, those in the middle may be in a state where their margins are considerably smaller. These organizations have to incur a variety of additional costs and expenses to improve their reputations, which are higher than those having low reputations, but their students and recruiters are unlikely to pay the price premium associated with those schools already having higher quality. Thus, at the margin, the increased costs associated with improving reputation may not be offset by a corresponding increase in price.

Overall, business school reputation can be used to distinguish between those schools having low and high quality. However, not investing in the signal does not relegate lower

quality schools to poor financial performance – they just need to attract students and recruiters who believe that their price and quality match. We suggest that future signaling research on reputation includes the separating equilibrium conception and broader performance measures. To help improve our understanding of reputation and its effects on firm outcomes, we need to recognize that both those on the higher and lower ends of the signal's continuum have rational and maximizing opportunities. Doing so will contribute toward improving understanding of signals, firm behaviors and implications for their outcomes.

REPUTATION AND SOCIAL STATUS RESEARCH

RWPS define reputation as “stakeholders’ perceptions about an organization’s ability to create value relative to its competitors” (2005: 1033), implying that reputation is simultaneously a resource or asset of the firm (Barney, 1991) and a ranking of firms relative to their competitors (Fombrun, 1996). Drawing on institutional theory, RWPS contend that stakeholder influence becomes codified into evaluations that they refer to as a “global impression” which they express as the prominence or the awareness of the firm within an organizational field.

However, traditional institutional theory arguments note that the demands of the institutional environment push firms to become increasingly similar over time, not differentiated (Meyer & Rowan, 1977; Powell & DiMaggio, 1983). Indeed, Westphal and his colleagues (1997) observed that the influence of the institutional environment would be empirically demonstrated through conformity within the organizational field. This traditional application of institutional theory appears at odds with both the concept of reputation and its application: Institutional theory examines organizational conformity; while reputation research focuses on organizational differentiation.

Accordingly, we propose that a richer understanding of reputation, specifically, and organizational stratification, more generally, can be developed by introducing the concept of social status. Weber (1978 trans., p. 305) defined status as “an effective claim to social esteem in terms of positive or negative privileges.” Ridgeway and Walker (1995) clarify this definition by noting that social status involves “rank ordered relationships among actors ... (that are) inherently relational in that one actor is only high or low in comparison to another” (p. 281). Thus, social status involves creating and perpetuating durable differences within a group of social actors. Research has found that resources and opportunities are distributed so that higher ranks enjoy greater access than those of comparatively lower ranks (Ridgeway & Walker, 1995), and that this finding holds at both individual and organizational levels (e.g., Whyte, 1943; Lin, Yang & Arya, 2009).

As status is a relatively recent concept to organizational research, it is necessary to provide a brief introduction to the concept. Unlike reputation which is created through an intentional process (Fombrun & Rindova, 2001), status hierarchies evolve spontaneously in social settings and are based on social characteristics of the group members. Status characteristics such as race, gender, educational attainment, and occupation may all become salient in a given context because they differentiate and create preferences amongst participants (Ridgeway & Walker, 1995). Individuals then use these characteristics to create performance expectations for themselves and other group members. These expectations then shape behavior by reinforcing and legitimating the emergent hierarchy (Webster, 1977; Ridgeway & Walker, 1995). Since status characteristics are unearned, they often may not reflect actual ability or potential. Regardless, these characteristics and the resultant hierarchy cause individuals to adjust their performance to reflect their social status.

Research on social status and reputation share some important similarities. Both fundamentally seek to explain the process of differentiating actors within a social setting and the social stratification process. As such, both reputation and social status are relational concepts that encompass both the specific firm and its relationship to the population of firms. Further, both suggest that the relative rank of any specific actor will have real and potentially lasting consequences for that actor, particularly in regard to access to resources and opportunities. Thus both reputation and social status give important insight into the organizational stratification process and its implications.

However, there are also critical differences between reputation and social status. First, while reputation is earned over time through performance demonstrations, status may be largely unrelated to past performance or actual performance potential (Washington & Zajac, 2005). Second, unlike reputation which can be actively managed by the firm (Fombrun & Rindova, 2001), status is awarded based on their characteristics or affiliations (Fennell, et al., 1978). Thus, unlike reputation, status cannot be controlled or influenced by the target. Indeed research on individuals has suggested that prior performance has little impact on status and subsequent performance will be disciplined by the group back to levels consistent with their status rank (Sherif, White, & Harvey, 1955). Finally, while reputation is focused on understanding product quality differences among a group of firms, social status focuses on social prestige or what Weber (1946 trans., p. 186-187) referred to as “honor” of the firm as an aggregate. This suggests that while reputation may be tracked back to actual differences in products or the firm’s productive capabilities, status refers to a more global assessment of the prestige, desirability or esteem of the firm itself. Thus, reputation may be tied to firm product offerings such that one firm may have multiple reputations in the multiple product markets they are participate in, firms

have only one social status (Washington & Zajac, 2005). Collectively, these differences suggest that social status has the potential to contribute significantly to understanding the social stratification process within and between firms.

The integration of the status and reputation literatures raises some interesting questions for future research (c.f., Jensen & Roy, 2008; Washington & Zajac, 2005). First, since status directly shapes performance and reputation and performance appear to have a reciprocal relationship (Rhee & Haunschild, 2006), this raises the question of how status and reputation interact. One possibility is that status may determine acceptable bands of performance which then may shape reputational rank to become consistent with status rank. This would suggest that organizational status may be one foundation of reputation. Second, future research could explore the foundations of organizational status designations. Specifically, which organizational characteristics create status differences and, how durable are status designations?

CONCLUSION

Many organizations allocate substantial resources in efforts to enhance their reputation in the eyes of key constituencies. Initial scholarly work in this area has emphasized study of the direct link between reputation and performance. Rindova and colleagues have twice made important contributions toward understanding the reputation – performance link, but there still appear to be many opportunities for rich theorizing around this relationship. We attempted to capitalize on some of these opportunities and highlight others by considering reputation from the perspectives of the resource-based view, transaction cost economics, signaling theory, and social status research. One point that emerges is that each theoretical approach views reputation differently, suggesting that additional multi-theoretical work is needed to better understand what

reputation is and how it is used. Our hope is that our ideas will stimulate future research that more fully captures the nuances of the reputation – performance relationship.

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