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Winston Kwon and Geoff Easton  
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# Conceptualizing the role of evaluation systems in markets: The case of dominant evaluators

Winston Kwon

Lancaster University Management School, UK

Geoff Easton

Lancaster University Management School, UK

**Abstract.** *Evaluation is usually an internalized process that is intrinsic to the activities of market actors. Producers evaluate what goods to produce, intermediaries such as distributors and retailers evaluate what goods to promote and stock, while consumers evaluate what goods to buy. In some cases, however, a secondary evaluation market controlled by an external evaluator can emerge as a de-facto gatekeeper exerting a powerful influence over the activities of market actors in the primary market. This article develops a conceptual model of external evaluation that describes: (i) the factors common to primary markets that are dominated by evaluation markets; (ii) the characteristics common to dominant evaluators and their evaluation markets; and (iii) the dynamic processes through which an evaluator can become entrenched in a position of dominance over other market actors. This conceptual model is illustrated through examples drawn from three dominant evaluators and the markets they dominate.* **Key Words** ● cultural goods ● external evaluation ● league tables ● product evaluation ● rankings ● selection systems

## Introduction

Evaluation is a psychological process that is ubiquitous but little studied. We constantly evaluate our environment and ourselves in order to determine our own behaviours. The spectrum of evaluative behaviours in which we regularly engage is very broad, and it is particularly important as a process that is intrinsic to the

functioning of markets, especially when goods and services are of varying quality. Producers must internally evaluate what products or services to produce and promote in the market. Intermediaries such as distributors, agents and retailers evaluate which producer offerings to stock and support through their distribution networks. Consumers use evaluative routines to make purchase decisions on a range of choices.

Although evaluation is a process that occurs at all levels in all markets, the capacity to evaluate is not heterogeneous across market actors, and can be concentrated in: (a) the producer in the case of a market monopoly (e.g. Microsoft); (b) the buyer in a monopsonistic market (e.g. defence contractors selling to the government); and (c) market intermediaries (e.g. supermarket chains such as Walmart and Tesco). Under certain conditions, however, the capacity to evaluate can become concentrated in the hands of an actor that is external to the primary evaluator – due to a scarcity of information required by other market actors in their evaluative routines. In certain cases, these third party evaluators can become powerful to the point where they are able to monopolize the information required for the efficient functioning of markets and thereby influence the behaviour of other market actors. These dominant external evaluators and their systems of evaluation are becoming increasingly pervasive in both private and public sectors, as their judgements become instrumental tools of an ‘audit society’ (Power, 1997). Given the consequences of this dominance upon broader social issues such as market power and consumer choice, the purpose of this article is to theorize the role of these dominant external evaluators. Although many external evaluators are influential to some extent or another, in this paper we intentionally focus on the in-depth study of three dominant evaluators because of the ability of ‘extreme’ cases to bring about insights into underlying causal mechanisms and processes (Starbuck, 1993) that enable and constrain the relative influence of evaluators in general. These cases are: (i) Robert Parker Jr and the market for fine Bordeaux wines; (ii) the Michelin *Guide rouge* and French haute cuisine restaurants; and (iii) the *FT MBA 100 Rankings* and European MBA programmes.

Three perspectives on evaluation systems can be identified from the extant literature: quantitative, structural and cultural. Quantitative studies have examined the correlation between positive and negative reviews and demand, pricing, supply and other underlying characteristics of diverse goods such as movies (Basuroy et al., 2003; Boatwright et al., 2007), restaurants (Chossat and Gergaud, 2003), degree programmes (Monks and Ehrenberg, 1999), used cars (Hollenbacher and Yerger, 2001) and financial securities (Zuckerman, 1999). Although this research provides us some insight into the extent of an evaluator’s influence and their evaluative methodologies, we must look elsewhere for explanations as to how this influence can evolve into market dominance.

Selection systems research takes a structural approach by examining how relative value is determined in various types of competitive market contexts. Several ideal types have been proposed: market, peer, and expert selection systems (Debackere et al., 1994; Wijnberg, 1995). These systems differ in terms of which group holds the primary influence over the selection process in a given field. In market systems

for example, aggregate consumer demand is the major determinant (e.g. consumer goods), while in peer systems, the market participants themselves are involved in the process of determining relative value (e.g. peer reviewed academic journals). Expert systems, fields where cognate experts control the selection process, tend to be dominant in the arts, the sciences and related technical and creative industries, due to the paradigmatic nature of change and the way in which innovation is valued in these fields (Wijnberg and Gemser, 2000; Wijnberg, 2004).

The explanatory weight given to rational choice, however, gives inadequate attention to the importance of factors such as rank and status (Podolny, 1993, 2001) and other cultural logics in explaining how expert evaluators can become dominant. A number of studies from the cultural perspective examine the role of such factors as identity, legitimacy, norms, values and other institutional forces in guiding the formation and evolution of complex and contested fields or markets where external evaluators often play a gate-keeping role (e.g. Rao et al., 2003; Durand et al., 2007). While the role of these isomorphic pressures is helpful in illuminating aspects of the 'cat and mouse' game that is played out between the evaluator and the evaluated producers (Corley and Gioia, 2000; Martins, 2005; Wedlin, 2006, 2007), discussions of how material interests such as economic gain figure in the calculus of market actors are downplayed.

Building upon these three approaches, we suggest that their explanatory strengths can be synthesized to counter their respective weaknesses to create a balanced perspective that provides insight into the following research questions:

- (1) What are the characteristics of markets that lead to the dominance of powerful external evaluators?
- (2) What is the nature of the processes through which this dominance emerges and is entrenched?

Accordingly, this paper consists of five sections in which we systematically develop a general conceptual framework for evaluators. We first set out the parameters of the universal evaluation process and the generic role that evaluators can, in principle, play in the process. Next, we examine the characteristics of primary markets that are dominated by powerful external evaluators. After this, we look at the salient characteristics of dominant evaluators and their evaluation markets. Following this, we explore the processes by which markets come to be dominated by powerful evaluators. We conclude with a discussion of how these various characteristics can reinforce or mitigate the power of evaluators, and the implications for future research.

## **The parameters of evaluating**

When consumers seek to buy a product it is assumed that they go through a process of evaluation. For impulse purchases, habit or heuristics might determine the outcome. For example in the latter case, Gigerenzer et al. suggest that in a situation where little is known about the options available, the heuristic 'Go with what you

know' is often employed (Gigerenzer et al., 1998). In the former case, Ehrenberg demonstrated that multi-brand buying is the norm and this can be explained by, for example, variety-seeking behaviour and product availability (Ehrenberg and Goodhardt, 1970). For more considered purchases it is often assumed that some form of multi-attribute purchasing model is used. This involves the potential purchaser deciding which product attributes should be considered as important in the performance of the product, what weight to give to each attribute and then estimating the likely performance of each possible purchase option on those dimensions. The underlying decision model is essentially linear additive, such that the total score for a purchase option is given by the score on a particular dimension weighted by its attribute score and then added to all the scores across all the other dimensions. The product with the highest scored purchase option is the one that is purchased.

However, such a model implies modes of thought that are not necessarily regularly employed by consumers or indeed any actors in any sphere where decision making involving choice among alternatives is required. There is a long history of attempts to model these kinds of decisions, albeit often obliquely. One of the first multi-attribute models was suggested by Fishbein to model the relationship between beliefs and attitudes (1963). This model was further developed by Ajzen and Fishbein in their theory of reasoned action (TRA), which modelled the relationships between attitudes and self-evaluated likelihoods of a particular purchase choice (1980).

This further developed into the theory of planned behaviour (TPB), according to which consumers are said to act in accordance with their intentions to buy and their perceptions over controls over their possible behaviours (Ajzen, 1991). Meta-analyses of many studies suggested that around 30 per cent of variance in ultimate purchase behaviour could be explained by TPB. Most recently, Richetin et al. have conducted studies that used models of goal directed behaviour (MGB) and extended goal directed behaviour (EMGB), which added affective, motivation, and automatic processes to the mix of variables already considered (2008). However, while relationships among the non-behavioural variables were strong, that was not true for the behaviour, where for example, the 'amount drunk' of a fizzy drink explained only 6 per cent of the variance. This follows the general trend, indicating that there are many reasons why what we think doesn't necessarily reflect how we behave. The number of possible intervening variables is legion and their impacts difficult, if not impossible, to assess.

One of the important issues is cognitive competence. Even when given a matrix which represents the basic structure of a multi-attribute model such as those described above, respondents rarely employ a linear additive model; they use simple models such as the compensatory additive rule, or non-compensatory rules such as lexicographic and 'elimination by aspects' rules (Park, 1976). In essence some of the data are ignored either because the linear additive model does not correspond to the model consumers normally use or because they cannot or will not do the necessary calculations.

What this very brief review suggests is that the process of evaluation is cogni-

tively difficult, strongly influenced by environmental factors and varies from individual to individual. It is therefore not surprising that consumers will often rely on others – evaluators of one kind or another – to help them make the consumption choices.

An evaluator can suggest what should be the list of factors to be taken into consideration; for example, for a film, the plot, camera work, actors, length, genre, etc. Moreover they can also suggest, albeit often unconsciously, what the weighting of the factors should be (for example, plot is far more important than camerawork). This is a useful set of data to have to make a decision but the evaluator can go a step further and provide a recommendation based on a metric (four stars) or a qualitative statement (go and see the movie if you have nothing else to do). They don't do the math either, but most probably base their judgements on a template of factors, weighted by their own values and applied to many examples of evaluating similar products. If the consumer wishes to accept the evaluator's evaluation they should realize that they are not only agreeing to the judgements about the factors but also to the values the evaluator is placing on them.

## Primary market characteristics

Markets with dominant evaluators tend to have common characteristics related to: the nature of the goods exchanged; the relative experience of consumers; and a lack of informational cues. While none of these factors in themselves guarantee the emergence of evaluators, in combination, these factors can become self-reinforcing to create a nascent demand for evaluative judgements.

### Nature of goods exchanged

Evaluator dominated markets tend to be based on goods and services that are experiential, high involvement and cultural in nature.

*Experiential* Experience goods and services cannot be 'discovered' during the search process (Nelson, 1970, 1974) and thus require post hoc experience in order to be adequately assessed (Hirschman and Holbrook, 1982; Holbrook and Hirschman, 1982). In other words, these products and services are highly complex and variable in terms of offering and quality such that they defy judgement based on prima facie inspection. Ultimately the quality of a restaurant meal, a movie or a holiday, for example, can only be adequately judged through the experience of consumption. As we discuss later, however, the greater the consumer's experience, the less of an issue this becomes, because of their ability to extrapolate from past experiences. Some cases, such as an MBA programme, are highly complex experiences where prospective buyers have no directly comparable experiences to draw upon. Students' perceptions are formed through countless encounters with lecturers, administrative staff, classmates, alumni and others such that no two students can have quite the same experience. Furthermore, the benefit of a degree

can be measured on many dimensions including: employment attained, scholastic achievement and access to social and professional networks.

*High involvement* Laurent and Kapferer (1985) describe goods where consumers tend to be more highly involved by having a greater 'stake' in the purchase outcome in terms of performance (e.g. functionality, durability, hedonic pleasure, etc.) and psychological risk (e.g. social status, uncertainty, emotional distress, etc.). In mass consumer markets (e.g. movies, books, automobiles) where there is a wide range of offering in terms of price and quality, external evaluation tends to be targeted at those buyers who seek more discerning judgements – arguably because of what is at stake in terms of the consequences of making an inappropriate purchase. While a 'bad' choice in a situation such as a bad movie is a relatively inexpensive mistake and quickly forgotten, a high ticket item such as an automobile can have some very costly consequences for the consumer. Some purchases, such as an MBA, are only made once in a lifetime and involve significant sacrifices in terms of both time and money.

*Cultural* Markets where consumers place a higher value on expert opinion because of what is at stake are often inclusive of what are termed cultural goods. These goods primarily serve an aesthetic or expressive function, rather than a clearly utilitarian function (Hirsch, 1972) and involve human creativity in their production, convey multiple symbolic meanings and embody some form of intellectual property (Throsby, 2001). The consumption of cultural goods, such as fine wine and haute cuisine meals in sub-markets can serve to enhance an individual's accumulation of cultural capital (Bourdieu, 1984) – creating a demand for finer judgement that is less prevalent in the broader respective markets of table wine and restaurant meals. Boatwright et al. (2007) for example found that critical evaluations of narrowly targeted platform movies, such as art films, were more influential than those of wide release blockbuster type movies. This may explain why educational league tables are highly influential but not consistently so across the student demographic. For example Asian–American students, students from high-income families and students from university educated parents are most likely to be influenced by undergraduate league tables (McDonough et al., 1998) while other groups, such as students from low-income families, first generation college students and non-traditional students tend to pay relatively little attention to league tables and guidebooks (Hossler and Foley, 1995).

## Experienced buyers

Experienced buyers with significant knowledge and experience tend to have highly established evaluation processes and routines for evaluating potential purchases. The development of this expertise however tends to be quite difficult and demanding in terms of time and resources. Given the bounded rationality of consumers in terms of time, knowledge and other resources (Simon, 1957), in situations where they lack specific expertise, there is a tendency, as discussed earlier, for them to

rely on relatively simple heuristic models to guide their choices. Individuals tend to sequentially evaluate options until a 'good enough' alternative is encountered and then decided upon. Psychological research on decision making suggests that individuals operating outside their own domain of expertise (i.e. inexperienced buyers) tend to experience high levels of anxiety and regret in choosing between what they perceive as relatively undifferentiated alternatives. This perception is due to a lack of relevant knowledge and understanding (Schwartz, 2004), thereby motivating novice buyers to seek recommendations (King and Balasubramanian, 1994).

### Informational cues

Information is crucial to the functioning of markets. If informational cues are not readily available, however, buyers can be forced into costly search and experience processes (Nelson, 1970). Examples of inadequate cues include: a lack of coverage, information bias, and outdated reputations. In rapidly expanding markets, new producers on the market periphery often lack the benefit of established reputations and the resources to advertise extensively in order to provide the signals of quality sought by buyers (Nelson, 1974). Even in markets where evaluators already exist, their position can be compromised by conflicts of interest due to their economic involvement with producers, with the consequence of evaluators producing reviews that fail to address the demands of rationally bounded buyers by being overly complex or vague. Another information problem occurs when incumbent producers 'coast' on their reputations, which no longer correlate with the relative underlying quality of a producer's goods (Podolny, 1993).

Robert Parker Jr is widely acknowledged as one of the world's most influential wine critics – particularly over the US market for fine Bordeaux red wines (Steinberger, 2007) – a market which had been stratified by static and increasingly anachronistic classification systems such as the *Bordeaux Wine Official Classification of 1855* and the 1935 *Appellation d'Origine Contrôlée* laws which allowed many producers to 'coast' on their reputations at a time of rapid improvements in quality by New World producers (Taber, 2005). A positive or negative review of a wine by Parker in his newsletter, *The Wine Advocate*, can result in a financial windfall or crisis for its producer – a consequence that has been dubbed by those in the wine trade as the 'Parker Effect', which Ali and Nuages (2007) estimated for the Bordeaux 2003 vintage to be \$2.80 per bottle.

The *Michelin Red Guide*, a series of restaurant guides updated and published annually covering 45,000 restaurants and hotels across Europe, has an equally powerful influence over the French haute cuisine sector. Gergaud et al. (2007), in their analysis of Parisian restaurants, found that appearing in the *Michelin Red Guide* led to a price premium of 9 per cent and the awarding to a restaurant of its first star increased menu prices by 27 per cent.

Similarly, the *Financial Times (FT)*, through the *FT MBA 100*, an annual international league table or ranking of MBA programmes, has gained the ability to exert direct influence over the interests of countless stakeholders of management



and business schools in Europe. Despite the growing demand for and supply of MBA programmes outside of the US, prior to the publication of the first *FT MBA 100* in 1999, few international programmes were ranked, due to their lack of coverage by American publications such as *BusinessWeek* and *US News & World Report* (Bradshaw, 2007). Although the precise extent of the impact of the *FT MBA 100*, as anecdotally reported (Kwon, 2006), has not been empirically verified, a number of studies of US business schools and universities have found that a change in league table rankings (e.g. *BusinessWeek MBA Program Ranking*, *US News & World Report's College Rankings*) can have a significant impact upon: the decision-making process of potential students (Hossler and Foley, 1995; McDonough et al., 1998); the perceptions of institutional stakeholders (Elsbach and Kramer, 1996); changes in admission and tuition fee policies (Monks and Ehrenberg, 1999); and in some cases, where a drop in rankings is significant enough, acting as a catalyst for substantive organizational change (Fee et al., 2005; Martins, 2005). The increasing influence of league tables on US and European institutions is arguably linked to the expansion of the higher education sector which has led to a proliferation of both new institutions and students.

## Evaluator market characteristics

An evaluator market is a type of secondary market, which is an adjunct to a primary market such as those described in the previous section (see Figure 1). The main function of an evaluator market is the exchange of evaluations of goods or services exchanged in the primary market, thus providing evaluations that increase the efficiency of the market. Without such evaluations potential customers may not have the confidence to buy and markets may stagnate or even disappear. Within the context of an evaluator/primary market dyad, the original primary market can be conceptualized as a 'market within a market'. While in the primary market, producers, intermediaries and consumers engage in the exchange of a given class of goods, in an evaluator market, the evaluator becomes a 'producer' of evaluations that are the subject of exchange with primary market actors who are 'consumers' of this evaluation. In some cases, this market dyad can be monopolized by a single evaluator, through the introduction of an evaluative innovation. Characteristics of these dominant evaluators and their evaluative innovations include: perceived specialized expertise; evaluative format and a substantial input/output network.

### Specialized expertise

In markets such as those for experiential or cultural goods, where buyers are seeking a finer judgement that goes beyond a 'hygiene' level of quality, specialized expertise is often in demand to assist with evaluation. Harvey et al. (2000) proposed that consumers assess the quality of an expert's judgement based on that evaluator's past performance and then use that judgement within their own decision-making process. Rather than using product attributes as the basis for decision

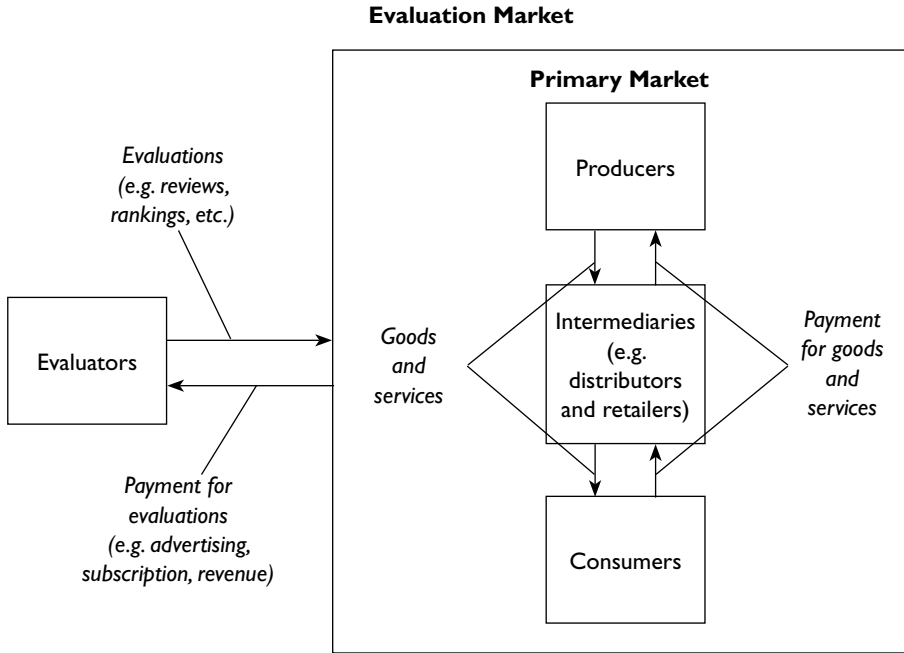


Figure 1

**Traditional and hybrid evaluation markets**

making, consumers tend to take expert opinion(s) as an overall representation of product attribute information upon which purchase decisions are based. Hirsch (1972) argues that in cultural industries the ability to evaluate is often based on knowledge of canon, which is an expert understanding of how a given object of evaluation fits into the wider context of works widely acknowledged to be of the highest quality. Canonical knowledge is often referenced in reviews in order to reinforce perceptions of expertise. Furthermore, Cameron (1995) suggests that critics in cultural industries seek to enhance their standing and status through the discovery and promotion of new talent. Parker received worldwide attention when he was the first to ‘call’ the 1982 vintage, when he recommended that his readers ‘stock up on some sensational Bordeaux wines’ (McCoy, 2006: 102), which was at odds with the consensus opinion of many prominent critics at the time. Michelin claims to be the first guidebook to recognize the talents of Ferrán Adriá, the chef of the top-ranked El Bulli restaurant, and admits to following the careers of some promising chefs more closely than others. Wijnberg and Gemser (2000) described talent spotting as a symbiotic relationship in which the innovative producers and the experts who can establish the value of these innovations serve to legitimate one another. Thus for incumbent sellers, such judgements provide information about new competitors, who are provided with the opportunity to improve their position

within the existing hierarchy. For consumers, this can provide: an opportunity to find high quality products and services at a lower price; the prospect of new experiences; and kudos from fellow consumers that arise from their 'discovery'.

Wijnberg describes expert selection as a process in which a 'special evaluative capacity is attributed to a relatively small group of selectors who are not members of the group in which the selection process takes place' (1995: 223). Buyers expect a system of evaluation to be aligned with their own interests, which is to distinguish appropriate goods and services from inappropriate ones. However, an evaluator's ability to be critical can be impaired when they are beneficiaries of producer largesse and have business relationships with these producers (Caves, 2000), as is the case with evaluators who also function in market intermediary roles such as retailers and wholesalers. This ability to operate independently can be achieved through a number of means including subscriber support and sponsorship. The *Michelin Red Guide* for example is subsidized as a loss leader to promote the corporate brand of the Michelin Tyre Corporation (Fabricant, 2005) and was the first guide to use, widely, independent inspectors with formal hotel and catering backgrounds who also paid for their own meals and accommodation, a break from the traditional custom of allowing journalists gratis meals with the expectation that media coverage would generate increased business (Chelminski, 2006). Parker, who sees himself as a consumer advocate, has arguably had a noticeable impact upon the profession of wine critics in terms of a new stress on the need for independence from producers and retailers (McCoy, 2006). Bradshaw (2007) suggested that the *FT*'s legitimacy as an evaluator is in part due to its introduction of data audits and the redesign of questionnaires to aid the auditing process.

### Evaluative innovation

At the core of any evaluative system is the actual methodology for producing evaluative reviews. The methodology is often proprietary whether based on the complex and nuanced tacit knowledge of experts or on an elaborate compensatory algorithm (Blank, 2007). The real innovation is often one of format and presentation rather than a methodology that allows for evaluations that are more intelligible, decisive and critical. This is frequently done by supplementing or replacing qualitative descriptors with numerical ratings. In the 1930s, the *Michelin Red Guide* was the first restaurant guide to rate restaurants on the basis of food quality by producing the now famous three-star scale to denote relative excellence (Karpik, 2000). Parker was one of the first wine critics to use blunt and unequivocal language to describe wines along with introduction of the now widely used 100-point system for evaluating wines (Shapin, 2005). The *FT* introduced several innovations including the direct comparison of one-year European with two-year MBA American programmes and the inclusion of a range of metrics that favoured European schools that had staff and students that were more internationally diverse in composition (Wedlin, 2007).

A primary means through which evaluators create value lies in the perception that external evaluations can assist consumers in making decisions that are per-

ceived as more rational and less bounded. Rather than using non-compensatory models in which a few alternatives are evaluated through relatively simple 'rules of thumb', individual consumers can find comfort in the perception that they can choose the 'best' among hundreds or thousands of alternatives, rather than the 'best' among several 'good enough' alternatives arising through the search process. The *FT MBA 100* allows buyers to maximize their choice of a highly ranked school, given personal constraints such as budget, geographical preferences and entry requirements.

### Input/output network

In order to be powerful, evaluators need to have a value-adding role within a network of primary market actors. It is useful to conceive of an evaluator as a firm that procures raw inputs (evaluation data) from suppliers (producers), which it then processes (the system of evaluation) into a finished output (an evaluation), which it distributes through various channels to customers. Competitive advantage vis-à-vis other evaluators resides not only with the evaluation production processes, but also in both the supply and distribution network. Evaluators achieve dominance by building networks that co-opt other market actors into assisting with procurement and of distribution. Given the resources needed for the establishment and maintenance of such a network, this network can also serve as a barrier to other evaluators as well as increasing the evaluator's compensatory comprehensiveness. A sponsor with 'deep pockets', such as the *FT* or the Michelin Corporation, can subsidize the cost of this network. The *FT* collects annual data from over 100 business schools worldwide for their *FT MBA 100* through a comprehensive survey that depends on the time-consuming co-operation of the respective programme managers and alumni, a proprietary asset that provides the *FT* with a source of competitive advantage against other league tables.

By contrast, the *Times Good University Guide*, although relatively influential among prospective undergraduate students, faces significant competition for audiences because of its dependence on non-proprietary data purchased from the UK Higher Education Statistics Agency, which allows other newspapers to easily produce competing league tables. While also highly influential within the US market, evaluative systems such as *BusinessWeek's* ranking of business schools and *US News & World Report's* ranking of undergraduate institutions, none occupy quite as dominant a position in their respective markets as the *FT*, which is in part because of their oligopoly control over evaluative information versus the *FT's* near monopoly position in their respective evaluation markets. Although the *Economist* also publishes an annual worldwide ranking of MBA programmes, it has relatively little influence over buyers and producers in comparison to the *FT*, in part due to its reliance on information drawn from less extensive questionnaires, which European business schools take less seriously. A major, and perhaps more significant factor in the *FT's* dominance is the formative role the *FT* has played in the creation of the market for European MBA programmes (Kwon, 2006), an issue we discuss further below. The *Michelin Red Guide* fields an extensive network of restaurant/

hotel inspectors, each of whom travels 30,000 km; spends 150 nights in hotels; eats 150 meals; and makes 800 open visits annually (Rogov, 2006). Arguably, restaurant critics for major newspapers such as the *New York Times* and the *Los Angeles Times* are also highly influential within their respective cities, but their influence is ultimately bounded by the limited resources they possess as individual critics.

Dominant evaluators also depend on effective distribution systems consisting of the various media through which their evaluations are distributed. Evaluators with broad distribution through general publications such as the *FT* are likely to reach a larger audience and gain greater influence. That said, an evaluator whose media vehicle is better targeted at the intended audience, for example speciality publications such as the *Wine Advocate*, will be likely to have greater influence than one of equal size that is not narrowly targeted.

## Evaluator market life cycle

### The three moments of evaluator markets

In Figure 2, we illustrate the process through which a secondary evaluator market with a dominant evaluator can gain influence over a primary market. The life cycle of an evaluator market consists of three moments. We use the term ‘moments’ because they are not linear processes, but rather the interplay of overlapping and iterative activities that sporadically advances in fits and starts.

While some of the factors within each of the three moments may be characteristic of evaluators that are not dominant, not all dominant evaluators have all these characteristic factors. Dominance is a relative rather than an absolute state. More characteristic factors increase the possibility of dominance through the various causal processes described in this paper. In analysing the three cases highlighted in this study, each of these evaluators developed through the various processes that constitute these three moments. The market changes brought about by the processes of each moment in turn, create tendencies for the development of the next. Failure in either of these moments does not necessarily destroy the viability of an evaluator, but does tend to impair their prospects for dominance by limiting their influence over primary market actors.

In the first moment, a primary market with some or all of the characteristics described in the first section and combined with rapid expansion creates a nascent demand for external evaluation. Parker’s rise to dominance, for instance coincided with a growing interest in wine – particularly the top-ranked Bordeaux growths – among increasingly affluent consumer segments in America (McCoy, 2006). The *Michelin Red Guide*’s rise to dominance was established during the decades of post-war recovery and expansion in which an affluent French bourgeoisie was able to indulge in consumer luxuries such as automobile-based tourism and haute cuisine restaurant meals (Chelminski, 2006). The *FT MBA 100*’s genesis occurred during a period of rapid expansion in the higher education sector (Anonymous, 2000, 2002) and was aided by EU initiatives to ‘Europeanize’ management educa-

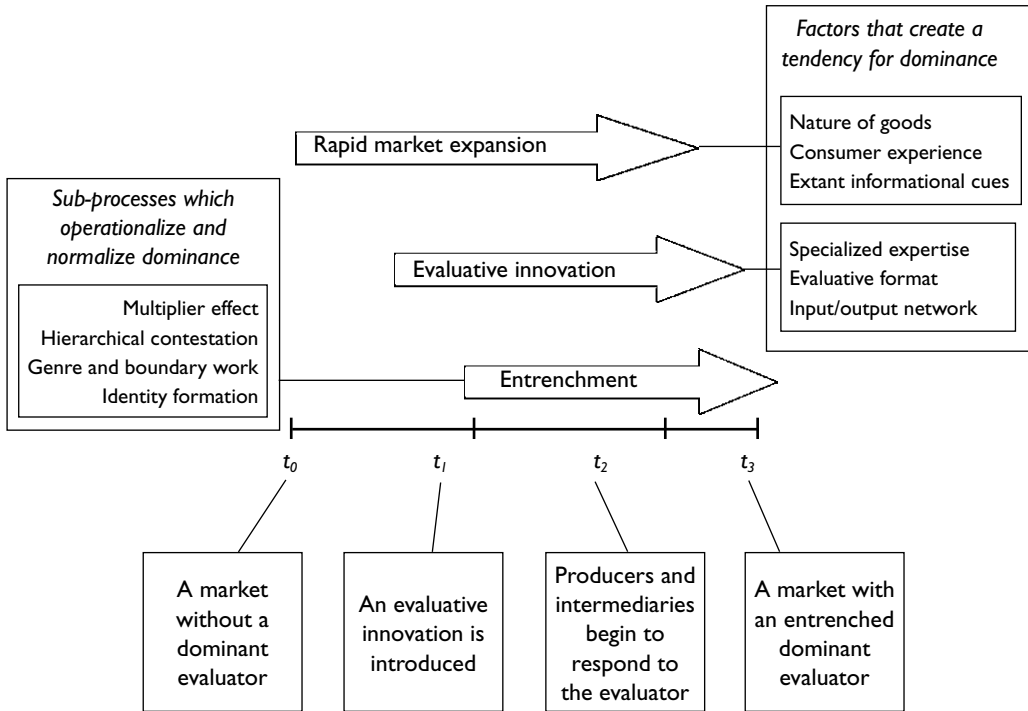


Figure 2

**The three moments of evaluator dominance**

tion (Wedlin, 2007). Informational asymmetries and resulting evaluative difficulties created for primary actors by this rapid expansion in the first moment create a nascent demand for new forms of evaluation to address this problem.

The second moment occurs if and when an external evaluator decides to exploit this opportunity by introducing an evaluative innovation to address this nascent demand. If this evaluative innovation proves useful and therefore finds resonance with market actors, particularly consumers, a secondary evaluator market begins to form. We suggest that the ability of this evaluative innovation to find resonance among market actors is related to having some or all of the qualities related to specialized expertise, evaluative format and the input/output network. A failure to find broad resonance at this stage would likely result in an evaluator with a relatively niche audience and therefore limited influence among actors in the primary market.

Similarly, the third moment commences if and when the various actors within the primary market begin to embed this external evaluation into their respective internal evaluation processes, which entrenches the external evaluator's position of dominance. Once an innovation gains momentum as a result of finding an audience among enough buyers to tangibly influence patterns of market demand, then

producers, intermediaries and other actors will be forced to respond. This consists of moves by various market actors to embed the use of the evaluation into various market selection processes beyond purchase decisions, which further serve to entrench the dominance of an evaluator. Entrenchment can be seen as an interplay between four distinct but interrelated second order effects including a multiplier effect, hierarchical contestation, genre and boundary work and identity formation.

*Multiplier effect* The evaluator network on the output side depends not only upon the distribution system to the direct audience but also on a multiplier effect, which creates a much larger indirect audience. By its very nature, evaluation is a form of intellectual property that is easily duplicable and redistributed. Producers, and intermediaries such as distributors and retailers, often use favourable reviews to promote products, resulting in a multiplier effect for evaluation where the eventual audience can be magnitudes of order higher than the direct audience (e.g. paid subscription). This multiplier effect is reinforced by word of mouth between consumers, where reviews of goods and services they have either encountered on a first-hand basis or indirectly received themselves through word of mouth. Given that negative reviews have little promotional value, another consequence of the multiplier effect is that good reviews tend to be more widely distributed – resulting in condition of asymmetric influence. Steinberger (2008) observes that American wine retailers commonly mark wines with Parker scores shelf cards, not only because his ratings help to move stock, but because they also allow retailers to substitute knowledgeable and trained staff with inexperienced lower-waged staff.

Another effect of the scores has been to open the market for Bordeaux fine wines to speculators. In 2006, the LivEx 100, which is composed of 100 top-ranked wines and is 91 per cent weighted to Bordeaux, was added to *Bloomberg's* list of financial indices. The Liv-Ex, which only includes wines that are ranked at 95 points or better, is effectively benchmarked using Parker scores. There are currently three major wine investment funds registered in the UK (Steinberger, 2007). Through these multiplication effects, Parker's influence is much greater than the *Wine Advocate's* direct circulation data would suggest.

Similarly, the process of multiplication has been a significant factor in entrenching the dominance of the *FT* over the market for MBA programmes. Due to ways in which the general public tends to conflate reductive measures such as business schools' MBA rankings or research assessment ratings (Kwon, 2006), the *FT MBA 100* ranking has become a crucial factor in many marketing strategies, with a good *FT* ranking creating a 'halo' effect that helps to promote other programmes and activities. Bradshaw (2007) noted that in 2006, 96 of 100 schools ranking in the *FT MBA 100* made reference to their ranking on their websites.

*Hierarchical contestation* Rankings can provide an arena to challenge the existing market hierarchy by enabling the mobility of middle-ranked market competitors (Phillips and Zuckerman, 2001) and providing visibility for the lowest ranks (Wedlin, 2006). Evaluators can also play a powerful role in determining outcomes



of contested boundaries by deciding who or what to evaluate, thereby including or excluding producers from consideration by many buyers. The *FT* has been a significant factor in the broadening of the field of management education through its extensive coverage of non-US MBA programmes. Prior to the creation of the *FT MBA 100*, European management schools were effectively marginalized by exclusion from *BusinessWeek*'s MBA rankings. To its credit, the *FT* has, arguably, used its influence to extend rather than restrict the boundaries of the market to new entrants, with coverage having been extended to programmes in China, Eastern Europe, India and Russia over the past few years (Bradshaw, 2007). Lavelle, the business education editor for *BusinessWeek*, argues that his magazine's league table allows for the promotion of previously underrated schools on their performance outside of employability statistics and starting salaries – measures that tend to favour wealthy and highly ranked business schools with large alumni networks (2006). In the field of haute cuisine, consumers and producers have come to regard the *Michelin Red Guide* as the primary authority and legitimator, providing aspiring chefs with a forum in which to elevate their relative positions and in doing so derive status, celebrity and fortunes.

*Genre* Evaluators often classify a product or service according to genre. The designation of a film as belonging to the comedy genre implicitly brings forth an evaluative template – consisting of implicit or explicit evaluative criteria – based upon previous experiences of films belonging to that genre. Failure to be classified and evaluated in an appropriate genre can result in a producer being ruled out of consideration by consumers (Shocker et al., 1991; Urban et al., 1996). Given the influence that critical attention can have on the success of a producer (Zuckerman, 1999), Hsu (2006) argues that critics will tend to favour arenas or genres where they have developed clear and structured schemas for evaluation, thereby providing disproportionately greater attention to producers of those genres. Producers will tend to adapt their offerings to the perceived evaluator preferences that they believe constitute the evaluative template, a behaviour that alters supply characteristics to further reinforce the first order demand shifts created by buyers responding to the evaluator – an effect observed in neo-institutional studies of the fields of haute cuisine (Rao et al., 2003; Durand et al., 2007); European MBA programmes (Wedlin, 2006, 2007) and in the wine industry (Hsu et al., 2007). Through their ability to influence buyer demand and producer supply, established evaluators often have the power to define or redefine these templates, sometimes leading to the creation of new genres.

An example of this is the phenomenon of wine producers responding to Parker's perceived personal preferences – the 'Parkerization' of wine as it has been dubbed – which has been blamed for a broad shift among wine producers, often with the help of 'flying winemaker' consultants, towards a generic style that is more acidic, riper and heavily oaked with higher alcohol content (Shapin, 2005). Gioia and Corley (2002) argued that MBA rankings force schools into allocating greater resources to managing a school's reputation and diverting them from core activities such as teaching and research.



*Identity formation* While it is easy to reduce the cause and effect of this process of adaptation to explanations of shifts in consumer demand followed by an adaptation in producer supply, this rationalistic perspective fails to explain the extent of the power of these systems and the nature of their embeddedness. Evaluation systems act upon producers to force cultural factors such as identity and esteem into alignment with structural material self-interest. Elsbach and Kramer (1996) documented how the staff of business schools that achieved a higher than expected ranking in the *BusinessWeek MBA Rankings* would re-evaluate their identities and upwardly adjust their ambitions, while the staff of schools that performed worse than average would adjust their ambitions downwards toward excellence in more narrow disciplinary and/or geographical boundaries rather than broader national excellence in all areas. Martins (2005) found that the greater the discrepancy between a Dean's perception of their institution's relative standing and its overall league table ranking, the more likely they were to undertake organizational change.

A similar relationship between culture and structure can be found within the field of haute cuisine. Unlike the 10, 20 and 30-point scales used by other guides, and which tend to fluctuate from year to year, the *Michelin Red Guide's* three-tier star system in which promotions and demotions are far less frequent, takes on the quality of an earned rank or distinction and thus is crucial to the process of identity formation of chefs who are awarded Michelin stars. Recent research reveals that non-food factors such as ambience and location play a statistically relevant role in the final evaluation, lending support to the claim of some chefs that the winning and maintaining of a Michelin star ranking entails huge investment in capital and staff (Gergaud et al., 2007). Haute cuisine restaurants are among the least profitable segments of the catering trade. In response, many Michelin starred chefs have sought to leverage their reputations by expanding into peripheral activities such as TV shows, cookbooks, mid-range restaurants and ready-to-eat meals, a development that may be driven not only by economic necessity but also ambition (Chossat, 2007).

### The normalization of heterogeneity

As argued above, the phenomenon of evaluator dominance can be reduced to neither structural nor cultural explanatory perspectives and defies simple interpretation through the inferred causality of predominantly qualitative methods. Rather, what is required is a constructive synthesis of all three of these approaches.

We posit that evaluator dominance is the outcome of the self-reinforcing sub-processes of the third moment. An evaluative innovation becomes a focus of activity in which various market actors begin a dynamic process of the enacting and contesting of reputational hierarchies, driven by a powerful combination of material interest and identity formation processes. In response to buyers adapting their preferences to correspond to the dominant evaluator's evaluative schema, producers pursue deliberate strategies such as reclassification of a product into a genre where it is more likely to be evaluated positively and lobby evaluators to review their product. If a certain genre becomes increasingly popular among

buyers, evaluators may shift attention to evaluation of that genre. This three-way interaction between evaluators, producers and consumers is a process that can redefine market boundaries and establish a network of market actors centred on an increasingly entrenched evaluator whose evaluations are now integral to their previously completely internalized evaluation processes. The three moments of evaluator dominance can also be conceptualized as a Foucauldian process in which a previously heterogeneous market becomes increasingly normalized for consumers, producers, market intermediaries and the evaluator themselves. An evaluator's dominance comes not from the arbitrary imposition of their evaluation upon other market actors, but rather because their innovation becomes the catalyst for the formation of a new 'taken for granted' reality for other market actors through the third moment. Thus, the entrenchment of an evaluator is rarely the result of the conscious and wholesale readjustment of the evaluative schemas of any single group of market actors, but rather it occurs through a series of gradual and iterative shifts by market actors towards a schema largely defined by the dominant evaluator's system of evaluation.

## Conclusion

In addressing the two research questions that began this paper (What are the primary market characteristics that create a propensity for evaluator dominance and what are the processes through which this dominance emerges?), we begin to provide conceptual insight into the role of evaluators and the nature of their evaluation systems. This provides us with a starting point for a more substantial research agenda on the phenomenon of market evaluation – an agenda that could be based on the following three questions: (i) How do evaluators actually evaluate? (ii) How are primary market actors influenced by evaluations in actual practice? and (iii) What if anything can these market actors actually do about this dominance?

Despite the power wielded by these dominant evaluators, we still know little about the actual practice of evaluation. We suggest that the first question can be addressed through a series of ethnographic case studies of evaluators. How do the editorial practices that produce an annual evaluation such as the *FT MBA 100* for example differ from what a Michelin inspector does on a daily basis? How are they similar?

We also know little about how the decisions of consumers, intermediaries and producers are influenced by external evaluation. Much extant work on consumer and managerial decision making has been conducted in artificial environments such as laboratories, computer simulations and other controlled situations that are removed from the complexity of the real world. Further investigations could usefully be informed by research in areas such as naturalistic decision making, which deals with how decisions are made by individuals in natural environments operating under real-time constraints.

The final question suggests a further three lines of enquiry. First, what are the strategies that are consciously employed by evaluators to reinforce and increase

their dominance over primary markets and competition from other evaluators? Second, what tactics and counter-strategies can market actors utilize to resist and undermine the power of these evaluators? Finally, what are the factors that determine the relative endurance or longevity of these evaluative regimes? A particularly fruitful avenue of enquiry that converges these three lines of questioning would be the study of hybrid internet-based evaluation aggregators that combine the functions of external aggregator and market intermediary.

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**Winston Kwon** is a Lecturer at the Centre for Strategic Management at Lancaster University Management School. His research interests include the influence of external evaluators on organizations; decision-making processes within senior management teams; and strategic change initiatives within pluralistic organizations. He has recently published in the journal *Discourse & Communication*. Prior to returning to academia, he has worked in a number of finance and strategy positions with firms in the technology and consumer sectors. See <http://www.lums.lancs.ac.uk/strategy/profiles/winston-kwon/> for current research projects. Address: Lancaster University Management School, Lancaster University, Lancaster LA1 4YX, UK.  
[email: w.kwon@lancaster.ac.uk]

**Geoff Easton** is a Professor in the Department of Marketing in the Management School at Lancaster University. His main research interests are in industrial marketing, managerial behaviour, research methods and their philosophical underpinnings, and strategy. He has published in *Industrial Marketing Management*, *Journal of Management Studies*, *OMEGA*, *British Journal of Management*, *European Journal of Marketing*, *Advances in Complex Systems*, *Organisation*, *Organization*, *Journal of Business Research*, *Journal of Marketing Management* and *Business Strategy and the Environment*. He has published two books, *Managers and Competition* and *Learning from Case Studies*, and one edited book, *Industrial Networks*. He is a founder member of the Industrial Marketing and Purchasing Group and has been a visiting professor at the Stockholm School of Economics and at Northeastern University, Boston, MA; he has given seminars in London and Manchester Business Schools, Oxford, Uppsala, Stockholm School of Economics and MIT. Address: Lancaster University Management School, Lancaster University, Lancaster LA1 4YX, UK.  
[email: g.easton@lancaster.ac.uk]