

Abstract

Peer effects of stars: Implications for individual and organizational performance

by

Diptiprakash Pradhan

Chair: J. Ramachandran

“The individual is always the basic strategic factor in organization.”

- (Barnard, 1938: 139)

Eighty years ago, Barnard highlighted the importance of individuals for organizations in his groundbreaking book, “The Functions of the Executive.” My dissertation builds on the body of research that focuses on human capital, and more specifically, star employees (“stars”) in organizations. Stars are recognized as rare and valuable due to their superior human capital that often results in high individual performance. Yet, the academic literature is ambiguous regarding the influence of star employees on colleagues. My dissertation seeks to deepen the understanding of how stars influence the performance of their colleagues—both fellow stars and non-stars—and hence of their organization. I develop my theoretical arguments using ideas from the social psychology literature on social comparison.

My dissertation departs from prior management research on human capital in two ways. First, prior research takes a star-centric view of the interactions between stars and non-stars ignoring the role of non-stars. While research shows that stars can have both positive and negative effects on non-stars, it does not offer compelling arguments for these conflicting findings. My dissertation reconciles these conflicting findings by shifting the focus from stars to non-stars. I depart from prior research by arguing that non-stars are agentic and heterogeneous; the assumptions in extant literature that non-stars in an organization are a passive and homogeneous group is rather simplistic. I argue that heterogeneity among non-

stars and their behavior can help reconcile the conflicting findings of the influence of stars on non-stars. Exploring the implications of heterogeneity among non-stars, I ask: How do stars in an organization influence the performance of different types of non-stars? I argue that social comparison processes can explain whether a star's peer effects on a non-star are positive or negative. Briefly stated, for non-stars who significantly lag in performance relative to stars, interactions with stars result in a positive impact on the former's performance. For non-stars who are similar in performance to stars, the positive and negative impact of stars is contingent on the characteristics of both stars and non-stars.

Second, prior research suggests that beyond a point, more stars in an organization are counterproductive for organizational performance. The underlying mechanism is that stars fight for status and thereby create coordination challenges in team-based production. In contrast, I argue that stars are not self-centered. Instead, their objectives are aligned with those of the organization. Thus, I ask: How does the number of stars in an organization impact a focal star's performance? I argue that stars have a positive influence on each other's performance because they identify with each other and share organizational responsibilities.

Extrapolating from individual-level performance implications, I theorize about the impact of team composition on organizational performance. I ask the following questions: First, how does the distribution of different types of non-stars affect organizational performance? Second, how does the ratio of stars impact organizational performance? With respect to the first question, I argue for an inverted U-shaped relationship between the ratio of different types of non-stars and organizational performance. With respect to the second question, I argue for a positive relationship between the ratio of stars and organizational performance.

The dissertation uses the U.S. National Basketball Association (NBA) as the empirical setting to quantitatively test the hypotheses.