8 November 2014

Dear Colleagues:

The attached paper is a draft of a paper that is under review. Jennifer and I are currently working on revisions and responses to reviewers. We wanted to send you an updated draft but it wont be revised in time. That said, the version I will present will be theoretically similar to this manuscript, although we are in the process of repositioning it somewhat. The operationalization of our key construct is different than what is in this paper, but the overall specification is basically the same results are still supported.

I'm looking forward to seeing you later in the week,

Damon

The Specialist Discount:

Negative Returns for MBAs with Focused Profiles in Investment Banking

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ABSTRACT

When is being specialized detrimental? Leveraging scholarship that links the sociological notion of identity to the advantages of labor market specialization, we provide arguments and evidence to understand when labor market specialization disadvantages job candidates. Specifically, we formulate three conditions under which specialization becomes disadvantageous, and then test this in a context that exemplifies these conditions: the market for graduating MBAs. Using rich data on two graduating cohorts in 2008 and 2009 from a top-tier U.S. business school graduate program, we show that "focused" MBA graduates with profiles of being specialists with respect to their activities prior to, during, and after matriculation, receive fewer job offers and earn lower starting bonus compensation than those graduates who did not focus. Specifically, our models show that candidates focused in investment banking were less than half as likely to receive multiple offers and earned over $20,000 less in starting bonus compensation than equivalent, but unfocused candidates entering the field. Our theory and findings contribute to the literature on market identities; with implications for the design of current MBA curricula and advisory activities.

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> "…the people who really go far in their business careers focus. You've got your chance now at B-School….The sooner you pick the area to focus on, the more you can focus on the right classes, the right clubs, and the right summer job to go after between 1st and 2nd year." (*Forbes* on reasons to get an MBA, November 13, 2012).

> "The more well-rounded an individual [MBA] is, probably the more expensive they are. If you bring a good skill set and multiple disciplines, you probably can command a higher salary. " (Chad Oakley, president of the executive search firm Charles Aris Inc., usnews.com, April, 25, 2013)

INTRODUCTION

Over the past decade a growing number of studies point to a positive association between the degree of specialization of a producer and its evaluation by critics, employers, clients, or customers. Producers spanning multiple categories are argued to suffer market penalties as evaluators experience discomfort, confusion, or conflict. Advantages instead go to producers who focus as specialists such that they are clear members of the focal category. This positive association has developed both theoretical footing (Hannan, Polos, and Carroll, 2007) as well as an expanding set of evidence in the sociological and management literature (Hsu 2006; Hsu, Koçak, and Hannan, 2009; Leung and Sharkey, 2009).

While the bulk of the scholarship on the topic is studied at the firm level, complimentary arguments have more recently been applied to individuals in labor markets (Zuckerman et. al., 2003; Ferguson and Hasan, 2013; Leung, 2013). And while this research emphasizes the link between a candidate's past labor market experiences and the sociological concept of (labor) market identity, it dovetails with a tradition in labor economics which identifies specialized employees as providing skill-based advantages for their employers (Becker, 1957, 1962). Indeed, it would seem that the first epigraph is correct: in order to maximize the rewards of employment, a potential employee (or "candidate") should present herself to hiring firms as focused a specialist as possible, especially if that potential employee were beginning her career with a less proven track record (Bidwell et al, 2013).

However, we argue and provide evidence that a closer inspection of recent theory and evidence

points to three conditions which, in combination, lead to a different conclusion where focusing as a specialist leads to negative – rather than positive – outcomes on the labor market. They are: (1) when the hiring firm's screening process is sufficiently rigorous to produce a relatively reliable indicator of quality, (2) when the candidate is perceived to have agency over her past experiences and skills that make up the profile presented to the labor market, and (3) when specialists are the modal candidate rather than the statistically rare one.

As we will develop below, labor markets with rigorous screening processes (condition one) diminish the advantage of a focused candidate by attenuating much of the uncertainty on quality, effort, commitment, and reliability that past studies have emphasized as grounds for privileging candidates who are more focused or specialized. This is particularly relevant when one's educational (curricular) choices are part of the information that employers examine since these constitute the career history directed by the candidate (condition two), rather than those components of career history that were exogenously determined. Moreover, when specialists are also common rather than rare (condition three), specialization becomes more akin to commodification rather than a scarce, coveted resource that employers find costly to substitute.

While these conditions have not characterized many of the settings of recent empirical work, we believe that they nonetheless represent an important set of labor market settings, such as the market for Masters of Business Administration ("MBA") graduates. While MBA graduates represent a fraction of the overall labor market, they are disproportionately influential in business and society. As such, understanding this market has great importance – especially for the community of scholars who reside in and speak to business school settings. As we will detail in the discussion of our empirical context, firms in the labor market for graduating MBAs spend substantial resources conducting a rigorous pre-screening process to evaluate MBA graduates to hire (condition one). Moreover, in their search for employment, MBA candidates invest heavily in creating profiles with early career and educational choices that they believe will pass such screening processes (condition two). Finally, the number of specialists emerging from these programs is high where large proportions of MBAs use their pre-MBA and matriculation

experiences to construct a clear, focused profile (condition three). Note that these conditions act even more powerfully when elite MBAs are considered: much of the pre-screening of these candidates occurs even earlier during the admission process into a top-tier program through high entry requirements, pressuring MBA applicants into constructing competitive profiles much before admission into a program. These processes also serve as a strong initial signal to hiring firms.

Under these three conditions, we argue that presenting a focused job market profile as a specialist leads to a negative evaluation compared to an otherwise similar candidate with a less focused profile of experiences. Specifically, we present findings that recent elite MBA graduates who established a focused market profile of experiences and activities in investment banking received fewer job offers (most only receive one offer) as well as received offers with lower starting bonus compensation when compared to otherwise similar candidates with less focused profiles. Our theory and evidence suggests that the oft-documented specialist advantage runs the risk of being overstated.

After a theoretical discussion where we further elaborate the three conditions and place them in context of the literature, we describe the setting for our study: the market for newly minted, elite MBAs. Following our discussion of the setting we describe our data on two cohorts of elite MBA graduates, solidify our predictions, and discuss our strategy for analysis. After reporting our evidence and robustness checks, we close with a discussion that incorporates considerations of alternative explanations and areas for future research.

THEORY

Recent scholarship linking the sociological notion of identity to the advantages of labor market specialization largely stems from theory developed by Spence (1973) on signaling and work by Faulkner (1983[2003]) and Zuckerman, et al. (2003), on musicians and film actors, respectively. Collectively, these theories advance the idea that profiles of career experiences constitute labor market identities subject to evaluation by employers. To date, studies have primarily centered on highlighting the advantages of specialization, producing a body of evidence that demonstrates the benefits of signaling a single, focused identity and the disadvantages for having a multi-category spanning labor market identity.

For instance, studying an online market for freelance programmers, Leung (2013) found candidates with a set of coherent experiences consistent with a specific skillset gained more hiring opportunities compared to those who showcased a less coherent career history. Ferguson and Hasan (2013) found government employees in the Indian Administrative Service to benefit less from job rotations that exposed them to a broader set of experiences and more from specialized positions that signaled a specific area of expertise.

These findings also have parallels with work in labor economics. Economists have long studied the role of specific skill investments and employment outcomes, arguing and showing a positive association between specialization and compensation (Becker, 1962; 1975; Jovanovic, 1979).[1] Indeed some economists claim that not only does specializing create a better employee, but that higher quality candidates often choose to specialize (Neal, 1995), creating an even stronger positive association between specialization and their value to employers.

While a broad set of scholarship has emphasized an advantage to specialization, attempts to more deeply understand when and why specialization leads to negative returns have been much less common. This is surprising as much of the key theory bringing identity into discussions of labor market outcomes acknowledge potential disadvantages of presenting a focused, specialized profile. For example, although Zuckerman et al. (2003) found that early career actors who specialized gained more job opportunities in a particular film genre early on, they also grant that specialization could result in long term career disadvantage via typecasting, constraining actors from future work outside a particular genre. Consequently, typecast (specialized) actors could become downgraded as less talented actors, limited to replications of the same set of skills in consistently recurring roles while actors able to span across genres were more likely to gain access to a wider array of roles and films, which could lead to greater long-run opportunities.

Important to the existing models linking identity to labor market outcomes such as Zuckerman et al. (2003) is that the theory – in which specializing benefits candidates in the initial stage but exerts a penalty later in their careers - hinges on the assumption that institutionalized pre-screening is unavailable or insufficient to evaluate quality. Indeed, it is uncertainty about the candidate's quality that explains the

[1] At least since Becker (1962), economists use the terms "specific skills" or "specialists" to most often mean firm-specific skills (post-hire) rather than the training and experiences one may obtain before entering the labor market (Lazear, 2004). Accordingly, we curtail our discussion of this literature. That said, generalizations of these models are often extended to capture pre-labor market experiences.

strength of the positive typecasting effect as a screening mechanism in the absence of an institutionalized mechanism. Zuckerman et al. (2003) explicitly state that specialization is beneficial when:

> "…signals such as credentials and endorsements are either unavailable or weak and that employers have access to only one kind of information about job candidates: the set of jobs performed in the past that met some threshold of competence." (p. 1026)

When employers lack sufficient information on the quality and reliability of candidates, having a focused or specialized identity provides a helpful signal to minimize uncertainty in the evaluation of the candidate. This lack of an institutionalized screening mechanism also characterized Leung's (2013) analysis of the market for freelance programmers and the rationale behind the discount for having a profile that possesses too much variety (or "erraticism", Leung 2013: 19). Leung also argues that uncertainty around quality leads candidates with erratic work profiles (which are determined by both the diversity and sequence of past experiences) to be discounted, with employers favoring more specialized and coherent profiles. Similarly, in the contract work setting studied by O'Mahony and Bechky (2006), the lack of a strong screening mechanism led to the use of "stretchwork," which allowed the contract workers to construct identities that were coherent and specialized in the eyes of potential employers. In each of these cases specialization provides a first filter for audiences, such as employers, to use to make sense out of large candidate pools.

Conversely, the presence of a strong institutionalized screening mechanism diminishes the importance of the signal that having a focused profile provides because employers can already ascertain quality via the clearance of that initial screen. When this occurs, employers can bypass this first quality assessment stage – where filtering candidates of high quality from those of lower quality is paramount – and use their resources toward finding the "best" recruit among a reliably high quality pool of candidates. The question then becomes - once quality is known to be above threshold, what do evaluators select on in this next stage?

We suggest that when an effective, reliable institutionalized screening mechanism is available to evaluators, it will become disadvantageous to be a focused candidate (i.e., a specialist). Focus is an important indicator of skills and ability in the absence of other information about an individual. However, once evaluators feel confident that a candidate has the requisite skillset and qualifications to be considered for hire into a role in a firm, simply demonstrating consistency along that skillset is no longer advantageous. Rather, employers evaluate based on information beyond a demonstration of a coherent

skill set that instead rewards candidates who differentiate themselves from other candidates (Zuckerman et. al. 2003). This is analogous to the typecast actor being considered for roles outside of his specialty genre; no one is going to need to look at the resume of actor Vin Diesel as a way to assess whether he can act in an action film. For a film categorized as drama or comedy, film producers will evaluate him using criteria that bring in other dimensions, accomplishments, and characteristics beyond whether he can act in an action film.

Thus, while we agree that in settings characterized by substantial uncertainty in employee quality candidates with focused or specialized profiles should experience advantages, when this assumption is relaxed via a pre-existing, strong institutional screening mechanism, the key rationale for expecting a positive association between specialization and value to the employee diminishes. This leads to the first important condition under which we expect focused, specialized candidates to be discounted: *Specialization discounting is more likely in markets with strong institutionalized screening mechanisms*.

In addition to a strong institutionalized screening mechanism, the returns to having a focused profile is influenced by the degree to which the candidate's profile represents direct investments – rather than having a profile that is either ascribed or randomly determined. Economists have long noted the role of signals in assessing a candidate's ability (Spence, 1973). Indeed, Spence's (1973) signaling argument was motivated by the need to understand how employers assess the educational credentials of potential employees, and to determine the scope conditions of such a model. Not only can signals reduce uncertainty around the productive capabilities of the employee, but the value of a signal is drawn from information on what the candidate has chosen to invest in, or "those observable characteristics attached to the individual that are subject to manipulation by him" (p. 357). Aspects of a profile outside of the candidate's control are important information, but they are not "signals" nor do they have the same value as those activities the candidate chose to pursue. In other words, Spence's (1973) influential formulation focuses on an employer's assessment of how a candidate chooses to make investments, where the investments represent the key component of the "signal". The more costly the signal (e.g., an investment that is more difficult), the more reliable the information is on the candidate's value to the firm, where the investment costs "are both monetary and psychic" (p. 361).

We also emphasize experiential investments the candidate has control over in understanding the value of that candidate's profile, where the value is greater for profiles that represent costly career

investments. Insofar that investing in being a specialist requires more effort, time, or resources, and where that investment can be publically displayed, being a specialist is beneficial. However, in cases where some diversity in one's portfolio is more costly to acquire for the candidate, then evaluators tend to assign a higher value (and reliability) to that signal. There are limits to this reasoning, as Leung's (2013) findings suggest. In his study, programmers with a modest amount of diversity were more valued than purely focused specialists, but both of these types were more valuable than candidates with "erratic" profiles. It is our contention that Leung's (2013) findings hinge in part on the fact that his freelance programmers have a profile that reflects their choices of past projects and skills to invest in. In cases such as these, employers may discount both a haphazard erratic set of investments, as well as investments that are sufficiently redundant that they involve relatively little cost to the candidate. Indeed, it was this same logic Fuller (2008) applied in explaining her finding that individuals who followed job mobility rates faster than the average for a particular industry early in their careers were the most penalized by hiring firms. It was not mobility per se that hurt these men and women early in their careers; it was the choice to move jobs before bearing the cost of learning their previous job.

Moreover, we expect that while this second condition of the candidate having agency over their career investments does not necessarily require the existence of the first condition – an effective screening mechanism – the effect of career investments is amplified when combined with effective screening. In fact, when much of the uncertainty around quality has been effectively screened, the signal generated by the candidate's profile can often privilege a diversity of experiences. Consistent with Phillips and Zuckerman's (2001: 385) argument that deviance can be beneficial as a means of differentiation after a candidate is deemed worthy of consideration, candidates beyond the screening stage can benefit from deviating away from being a specialist. For example, conditional on determining that two students are equally able to work as an analyst in an investment banking firm (condition one), the student who focused all of his investments as a specialist may be less appealing than the student who has indicated that she also invested in being a management consultant (condition two). The student with consulting skills not only signals that she has a breadth of experiences, but one implication of Spence (1973) is that the extra cost to the student who learned to be both an investment banker and a consultant can improve the evaluation of that student's ability. It is only in the cases where the hypothetical investment banking role requires rare, complex, or unexpected knowledge that the advantages of having a focused specialized

background is realized. This leads to the second important condition under which we expect focused, specialized candidates to be discounted particularly when the first condition on screening has been satisfied: *Specialist discounting is more likely when the candidate has publicly chosen the past investments that constitute the profile*.

The third condition in studying the relationship between a candidate's experiential profile and labor market success is the influence of supply and demand. A focused candidate, when choosing a particular investment of specialization, is more valuable when the demand for specialist profiles is high versus the supply of specialists (e.g., a lot of employers want candidates with deep finance experience and there are few candidates who possess this experience). Intuitively then, increases in the supply of specialists decrease the value ("price") of being specialized.

While perhaps the most basic of economic reasoning, its implications have not been adequately explored in managerial and sociological studies on the returns to particular skill set profiles. Moreover, the signaling value of a particular profile depends both on who is "on the market" currently as well as the typical profile that the employer has hired in the past. As Spence (1973: 357) points out, not only does it matter how similar (substitutable) the candidate is with those presently looking for similar jobs, but also those with whom the employer has previously hired. An employer who has hired many candidates with a particular profile in the past has considerable information on the relationship between that profile and the value the candidate can add to the employer. Thus, in many markets, the returns to a focused profile depend on how similar the profile is to those in the employer's comparison set.

Among the possible implications we emphasize one in particular. That is, if the employer has substantial experience with a focused, specialized profile, and the current supply of those specialists is high relative to demand (and forecasted to be high in the future), then candidates with this profile have lower bargaining power and receive fewer rewards (Lindblom, 1948; Bacharach and Lawler, 1981). For one, it becomes easier for hiring firms to assess common profiles through relative comparison (cf. Bowers, 2013). In our case, employers will be less likely to extend additional incentives to attract these candidates, as they possess substitutable human capital (Arrow, 1971; Pischke and von Wachter, 2008). Moreover, the more experienced an employer is in hiring candidates with a particular profile, the greater that employer's understanding of the upper bound of compensation incentives that will motivate those

candidates to generate value for the employer. We thus expect that in markets where specialists have and continue to represent a large proportion of the labor pool, that each specialist is at a relative disadvantage.

Finally, while specialists typically have the skills for an employer's initial task, employers often value the cultural and informational diversity that candidates with broader skills and experiences can offer, especially when specialists are common. Here the value of a flexible workforce may lead firms to prefer more broadly experienced candidates when they already employ a set of employees with specialized skills – even if those with specialized skills are more productive in the short-run. Comparing education systems where one required early specialization and the other allowed for broader training and later specialization on the job, Ofer (2011) found that students with broader training experienced short term costs due to the breadth, but that this was outweighed by the longer-term value of match these students were able to achieve from developing a broader skill set. In contrast, those students specializing early were more likely to experience jobs of poor match. As Kuhnen and Oyer (2012: 4) suggest, firms may require "highly redeployable" employees who can be reassigned to unforeseen tasks, but that this requires that the employee have "generally applicable skills". Richard (2000) similarly argues that cultural diversity can have strategic value. Using data on the banking industry, Richard (2000) finds that businesses pursuing a growth strategy experienced greater performance when they also had a diverse workforce. Moreover, Bidwell's (2011) finding that internal (skill-specific) investment bankers performed better but were less attractive than external (broadly-skilled) hires were to employers suggests that – especially in the investment banking sector – firms value experiential diversity conditional on already having a high proportion of specialists. This leads to the last important condition under which we expect focused, specialized candidates to be discounted: *Specialization discounts are more likely to occur the higher the supply of specialized candidates, relative to demand*.

In sum, we expect that in markets characterized by strong institutionalized screening, with candidates who invest in their experiential profiles as signals, and the supply of focused specialists (relative to demand) is high, candidates who focus as specialists will be discounted. Conceptually, each of these conditions in isolation can result in some discounting of specialists. However the relationship between these conditions and how they operate in combination will be a function of the research setting. In our context of elite MBAs entering the investment banking labor market, all three conditions operate in tandem.

CONTEXT AND HYPOTHESES

The MBA Recruiting Market as an Exemplar of the Three Scope Conditions

As our arguments hinge on analyzing a labor market context characterized by the three scope conditions, selecting an empirical setting that exemplifies these is critical. The recruitment of newly minted MBA graduates from a top business school provides one such context. According to recent estimates, nearly 170,000 MBA degrees are conferred upon graduates from U.S. business schools each year (Forbes, 2012). The most common reasons cited for getting an MBA degree are wider career options and greater earning potential. A Forbes study conducted in 2011 found "full-time MBA graduates from Top 50 schools typically realize starting salaries 50% higher than what they were earning in the year before starting business school. Then, over the next five years, their pay nearly doubles" (Forbes, 2012). Even during the recent economic recession when admissions numbers into graduate business programs diminished, the value of a graduating MBA did not dwindle with compensation numbers remaining high and the typical pay-back for education investment continuing to stay pace at just under 4 years (Forbes, 2012; GMAC, 2012).

With career advancement a key selling point, it is no surprise that business schools tout the employment statistics of their graduates to prospective new students. For instance, the institution in our study annually produces a report detailing the high percentage of students employed upon graduation along with median salary and bonus data across each function for their graduates as well as an extensive list of the top hiring firms recruiting at the school. For many prospective students, selecting into a business school then is as much about gaining better employment prospects as it is about gaining any sort of business knowledge or skillset. Accordingly, the admissions process into top business schools is incredibly competitive, where the hurdle for acceptance means proof of an extensive list of credentials, such as strong GMAT scores, undergraduate GPAs, prior work experience, and extra-curricular involvement in activities.

While such selective admissions processes help top-ranked business schools maintain a positive reputation for producing skilled leaders into the workforce, they also serve as a first filter for firms who hire out of these programs (Layard and Psacharopoulos, 1974). With such stringent admissions requirements, schools pre-qualify a set of high quality – and thus, lower risk - hires for firms to select from. To this end, firms regard these relationships with top MBA programs as a critical hiring pipeline.

Compared to standard, single position hiring campaigns, many firms dedicate considerable resources in hiring MBA graduates, with an average of about $12,000 in recruiting costs spent per new MBA (Workforce, 2005), compared to about $5000 per college graduate (NACE, 2012). Using large scale recruiting efforts, firms dedicate substantial time and effort, conducting several rounds of interviews, hosting recruiting events including dinners and cocktail parties, and funding "fly outs" where students visit the firm headquarters or, offices around the world. As a recruiter of elite business school students describes:

> "Interviews begin with first-rounds on campus. Each candidate is given a 45 minute interview, about 44 minutes of which is devoted to presenting the candidate with analytical challenges, and seeing how he or she works through them….Second-rounds normally happen the next day on campus. It is a repeat, except that each candidate is normally interviewed twice that day, and each interview is longer….The remaining candidates are invited back for third-rounds. This takes place at the company's offices over a full day. Each candidate is subjected to 10 or more additional interviews…Each candidate is then considered holistically." (Manzi, 2011).

From the student perspective, the time and effort as a job candidate is also intensive. Prior to entering graduate school, school career centers often contact students to gain information on their employment goals and encourage them to formulate an initial career plan before they arrive on campus. For instance, the institution under study contacts students the summer prior to enrollment to survey about career aspirations, intentions to switch careers, preferences on size as well as geographic location of their ideal employer, and initial industry and functional goals. Upon entering the program, students then are taught how to craft their resumes, interview dos and don'ts, how to negotiate offers, and even how to write thank you notes to firms. This is accompanied by extensive web resources and career centers staffed with full-time counselors to assist in the search process. Career service counselors also advise students on strategically selecting classes so that they can best showcase knowledge and interest to potential recruiters, which extracurricular activities to join for networking with experts in a chosen industry, and how to connect with alumni and other contacts working in various functions of interest.

This preparation foreshadows the actual interviewing process to secure first, a summer internship at the end of the first year of the two-year program and second, a full-time permanent position upon graduation. As a pre-cursor to full-time permanent positions, internships allow students to "try out" a firm or career path and hiring firms to vet out a potential hire (at a typical salary of $15,000 to $25,000 for 10 weeks of work). This investment largely pays off – nearly 35-40% of summer internships turned

into full-time employment among our sample and at the school more generally (similar statistics have been cited for other top-ranking schools, e.g., Kuhnen and Oyer, 2012). For those students who do not return to an internship employer, they face another set of rigorous interviews, events, and visits in their second year of the program and for some, after graduation.

As an illustration, a popular blog to prospective MBA students by a graduate of a top-tier business school institution provides a sense of the time commitment a typical student may spend looking for a position. According to the blogger, who shared typical weeks from his calendar as an MBA student, about 24 hours per week was spent on job market activities in the pre-interview period (e.g., attending company presentations), compared to about 14.5 hours on academic related activities and 6 hours on social activities. The time and attention devoted to the job search increases during the interviewing period. As the blogger conveys:

> "… 9.30am interview followed by a 10.30 to 12 – that's two firms and probably 4 total interviews…Then at 12, I get a 30 minute break, then I do another two firms. At 2.30, I leave campus, drive downtown to make a 4pm offsite interview. I finish that around 5pm or 5.30, probably run some errand at 6pm, so I can make it to a pre-interview event (likely a dinner) by 7.30. Home around 9 or 10pm. Do any homework for Wednesday. Go to bed maybe round 12 or 1. Get up, get on campus at 8, go to class from 8.30 to 11.30. Go to lunch. Review notes for companies 7 and 8, try to do homework for Thursday. Go to those interviews, probably go home and change before next event at 7.30. Thursday, repeat with 2 more interviews...." (GMATClub, 2008).

With this intense screening of candidates during the program coupled with the initial selective admissions process into the program itself, the MBA recruitment market provides a strong instance of our first scope condition– a rigorous information gathering process that minimizes the uncertainty of a candidate's quality. Firms spend a substantial amount of time with candidates through interviews spanning several weeks, often observing ten weeks of an individual at an on-site internship. When one considers the extensive pre-screening performed by the graduate school itself, a candidate's quality is not only likely to be high, but also known with greater certainty compared to most labor markets that have been the subject of recent empirical work (e.g., actors, freelance programmers).

This screening pressures many candidates to invest in a focused profile. Knowing that firms will assess their jobs and experiences, MBA students spend a substantial amount of time thinking about, constructing, and highlighting their educational decisions and employment choices to present a particular profile to hiring firms (Barbulescu, 2014). As opposed to a labor market that evaluates candidates based

on a set of otherwise determined factors - such as a job rotation where individuals are assigned or slotted into jobs (Campion, Cheraskin, and Stevens, 1994; Stovel and Savage, 2006; Ferguson and Hasan, 2013), or a test that when passed certifies qualification for a job (Faia, 1981; Robson, Wholey, and Barefield, 1996), or even a referral relationship facilitating a hire through a current employee at a firm (Fernandez and Weinberg, 1997; Castilla, 2005; Sterling, 2013), employers in the market for new MBA graduates spend a great deal of attention on evaluating the career history that candidates have chosen to invest in. Thus, a second important characteristic of this labor market context – consistent with our second scope condition – is that the profile being evaluated is (perceived to be) constructed by the candidate. In other words, the profiles of MBA job candidates are signals in the classic sense formulated by Spence (1973), where to assess quality and fit employers can evaluate not only the content of candidate experiences, but also their investment cost in acquiring those experiences.

Such pressure to create a profile deemed recognizable and valued by hiring firms, coupled with institutional mandates to organize one's business school experiences in a coherent fashion, fosters an environment where focus subsequently emerges as the more modal candidate profile – our third condition. Although the MBA degree is seen as a more generalist degree (note that Zuckerman et al, 2003 used the MBA as an example of an context beyond the scope of their typecasting theory precisely because of its generalist nature, p. 1025) where the goal is to gain proficiency across a broad set of general business skills, the aforementioned intense recruiting and admissions process often prioritizes a coherent specialized profile over a demonstration of a broad set of skills and experience. Indeed, emphasizing the advantage of being focused is common career advice. As a former J.P. Morgan banker and recruiter advises investment banking candidates: "If your experience [is sufficient], the next thing you will have to convey is your complete and utter focus on pursuing a career in banking….Your main objective will be to showcase your deep understanding of banking and finance. The best way to do this is to take as many finance courses possible, read business publications regularly, and network with bankers" (Khalife, 2012: 55).

This advice is amplified by the actions of many business schools as they shift toward a greater emphasis on focused profile enhancement via career tracks, academic concentrations, and industry

specific skill-set courses (Businessweek, 2012; MBAPodcaster, 2013). This is also further fueled by the proliferation of one-year masters degrees for students who "really want to focus and deepen their knowledge of a specific subject area" (US News, 2013). As a top business school dean explained of this push toward specialization, "…graduates will be ready to enter the market with deep expertise in their chosen fields when they finish their MBA." (Businessweek, 2011). These factors contribute to a labor market context where specialization becomes normative, as graduates focus via conforming to an expectation that a specific – usually functional (such as a "finance person" or a "marketing focused" candidate) – profile is perceived as preferable for getting hired.

Yet, many hiring managers and recruiters seem to value focus differently. For example, in conversations with hiring managers to better understand our findings, we often heard that this touted focused profile produced in reality a less appealing candidate to many employers. One investment banking executive confided in us that, compared to someone with a clear finance background on a resume, he would much rather hire a candidate who has demonstrated accomplishments in other areas, showing talent and commitment in other ways beyond a basic interest and background in finance skills. This is consistent with reports on the market for one-year specialist degrees (e.g., a one-year Masters of Finance), in which these types of focused candidates are downgraded relative to those with more generalist MBA training *because* of their loss of broad skills. As the president of an executive search firm describes (in the second opening epigraph): "On average, the MBA will pay the most…the more well-rounded an individual is, probably the more expensive they are. If you bring a good skill set and multiple disciplines, you probably can command a higher salary" (US News, 2013). Another MBA recruiter describes: "When we are hiring MBAs, we really do look for an X factor…most MBA employers take the analytical and problem solving skills as a given when they look at MBAs" (TopMBA.com, 2013). Thus, in over-concentrating efforts into a single recognizable career track, MBA job candidates who focus risk commoditizing rather than differentiating themselves, placing them in a role contradiction with the MBA's characterization as a generalist degree.

Focused MBA Job Candidates in Investment Banking

In addition to drawing attention to the fact that the market for new MBA graduates represents a context in which specialism is discounted, we further select on investment banking careers as our sample of MBA graduates to analyze. We select this subset for a few reasons. First, we examine a popular career track that individuals with an MBA enter, providing us with not only a sizable sample to study but also one that is representative – and characteristic – of MBAs more generally. In the last year, CNNMoney (2012) reported that 20 percent of all MBAs listed as their top job working in investment banking at Goldman Sachs or JP Morgan, both of which topped the list of "10 most popular MBA jobs". In a survey of entering students (2008 cohort) conducted by the institution in this study, 57 percent (324 students) stated their top preference for a career upon graduation as investment banking, venture capital/private equity, or investment management[2].

Second, investment banking professionals have been the subject of related research on skill acquisition and specialization, providing a means to compare and contrast our theory and evidence with other scholars, as well as better understand this type of professional labor market. For example, Bidwell (2011) finds that bankers with firm-specific skills are often compensated and promoted less than external hires. Kuhnen and Oyer (2012) examine how employer's investment in screening investment bankers (through internships) can be increased with rises in demand. Given their emphasis on firm investments versus ours on candidate pre-employment investments, our study can help to enrich the understanding of a specialist discount as a more fully developed two-sided market. To the extent that we identify a specialist discount for newly minted MBAs at the hiring stage, we can not only shed greater light on the market for investment bankers, but also extend our theoretical understanding by better refining predictions and scope conditions.

Third, by concentrating on one field, we minimize the risk of conflating the different recruiting and compensation processes that may occur in other fields such as marketing, information technology, or general management. This allows us to better assess mechanisms that would be more difficult if we had to compare various fields simultaneously. For instance, we know that compared to other fields,

[2] Comparatively, 113 (20%) named consulting, 21 (4%) corporate finance, 63 (11%) general management or strategy/business development, and 41 (7%) marketing.

investment banking has two common entry points: (1) undergraduates hired as Analysts upon graduation and (2) MBAs, who may be hired in as Analysts, Senior Analysts, or Associates. Although an MBA is not required for advancement in this field, many individuals use the MBA as a way to switch careers into banking or, as a way to gain entry into more prestigious banks or, different areas of investment banking. In recruiting, banking firms – particularly the largest ones - target top-tier MBA programs, courting students with recruiting events on and off campus.

Fourth, investment banking provides a context where a focused profile may reasonably emerge in contrast to a field such as general management, which presents more challenges to specialize because it inherently requires more generalist business aptitude. Although we will note in subsequent robustness checks to our analysis that our predictions hold for other fields (such as marketing, consulting or corporate finance), analyzing investment banking allows us to present simpler, more straightforward evidence to test our theory.

Hypotheses

Given the match between our scope conditions and setting, we predict that a specialist discount exists in the context of the hiring of MBAs in investment banking. In particular, we examine whether employers discount highly focused investment banking profiles compared to candidates with less focused profiles but who were otherwise equal on a host of observables. Moreover, we test for the discount with respect to two key outcomes: multiple offers received and the initial (bonus) compensation. To the extent that receiving multiple offers reflects a candidate's value in the market, and insofar that candidates prefer multiple offers, we view the receipt of multiple offers as a key indicator of a candidate's value. Moreover, estimating the candidate's attractiveness at the hiring stage using data on offers allows us to test an outcome that corresponds to other studies of labor market identities (Zuckerman et al. 2003; Leung 2013). As such we expect:

> Hypothesis 1: *Ceteris paribus, MBA candidates in investment banking with focused profiles receive fewer job offers than similar candidates with less focused profiles.*

While data on offers provides a valuable opportunity to test for a specialist discount, a finer-grained indicator is the compensation received at the point of hire. Strong support of our theory would be

represented not only by fewer offers, but also lower compensation – as compensation is a more direct indicator of the employer's valuation of the candidate or the amount the employer is willing to invest in order to obtain the employee. That is, number of offers does not speak to the value of each opportunity; it simply means more opportunities. Our emphasis then is not only whether one gets a job as many past studies have examined, but also the compensation the MBA is awarded upon being hired.

To capture this, we predict how the specialist discount affects the discretionary portion of compensation specifically, the pre-hire bonus compensation offered by a firm for the job the student accepted. Bonus associated with the starting salary offer is one of the only discretionary factors as base salaries vary little for candidates coming out of the same MBA program (see Bertrand, et al, 2009; Gorman and Kmec, 2009; Oyer, 2008) and often are pre-determined by industry and market level factors (Wharton, 2009; ZoomInterviews Blog, 2010). Further, since most receive a single offer (Kuhnen and Oyer, 2012), bonus is the only portion of valuation that is not only subjective but also has greater variance with respect to a candidate's profile. As such, bonus compensation offered to MBA graduates represents the clearest metric for the relative value that employers are willing to place on a particular candidate to lure her into accepting employment. All else equal, more valued candidates receive higher starting salary bonuses. This leads to our second hypothesis:

> Hypothesis 2: *Ceteris paribus, MBA candidates in investment banking with focused profiles receive lower starting bonus compensation than similar candidates with less focused profiles.*

DATA AND METHODS

Sample

Our data comes from a larger project on two cohorts of full-time MBA students graduating in 2008 and 2009 from a U.S. graduate business school consistently ranked among the top in the country. School records provided the data including: admissions applications with demographic and pre-MBA information; matriculation information such as course selections; the grades achieved in each of those courses; and career services information detailing job histories and career preferences prior to, during, and immediately after the program. To recruit individuals to participate in the study, we worked with the career services staff at the school. When accessing career information online (e.g., to learn about interviews), students were asked to consent to participate in our study in accordance with the university's Institutional Review Board (a hardcopy of the consent was also available). The consent asked students to

specify whether they would also disclose their grade information along with the other data. 1,103 students, 550 students in the 2008 class and 553 in the 2009 class comprised the two cohorts targeted for the study. Of these, 616 students provided consent to participate in the study, 297 individuals from the class of 2008 and 319 from the class of 2009 (a 54% response rate for the class of 2008 and 58% for 2009). Of the 616 individuals agreeing to participate in the study, 433 agreed to also release their grades (70% of the total respondents).

We did a detailed comparison with school records to ensure our sample was representative of the 1,103 student population. Based on analysis across a variety of characteristics, the students who agreed to participate in our study did not vary on any of the key dimensions. We also compared the two cohorts with prior cohorts to ensure that no notable differences existed for these cohort years that might cause sample bias. The 2008 and 2009 cohorts did not vary other than a slightly higher percentage of females than past cohorts due to a general rise in female attendance in graduate business schools (Catalyst, 2009; Cocchiara et al., 2010), as well as the school's prioritization in adding more women to the program.

From a career sorting perspective, our sample was similar to the overall class composition in terms of job functional preferences for full-time employment. Historically, more than half of the graduating class from this institution selected into careers in finance, including investment banking, investment management, and corporate finance, while a quarter went into management consulting and less than 10 percent selected into marketing. This functional distribution was nearly identical across the two cohorts in our sample with the exception of a different weighting between sub-fields of finance careers than in the past; due to recession driven hiring freezes across several banks (particularly for the class of 2009), students selected into more corporate finance positions (but overall the same amount of total finance-related jobs) than prior years.

Using the school's administrative data, we constructed detailed career profiles of each individual up through the acceptance of their offer. While the tradeoff of gaining access to more data across an individual's life was necessary in order to construct an accurate "profile", we did lose observations due to missing data, reducing our sample size to 378 individuals in the fully specified models. The advantage, as detailed in the following discussion of our variables, is that we are able to analyze perhaps the richest dataset available on early career professionals. At the same time, we found no statistical evidence that the

final sample of 378 individuals was biased or observationally different on any dimension in our analysis from the 616 who agreed to participate in the study.

Dependent Variables

For our first hypothesis, we predict offer outcomes for graduates. For our second hypothesis, we predict bonus compensation offered upon graduation to the job that the candidate accepted. For offers, we began by constructing a simple count variable that tallies the number of full-time job offers that an individual received. Akin to other studies conducted with data from top-tier business schools (e.g., Kuhnen and Oyer, 2012; Barbulescu, 2014), the mean and median number of offers that MBAs received in our sample reflected the fact that most candidates received one offer. Across our sample, the 2008 cohort received on average 1.50 offers (69% received a single offer) and the 2009 cohort received 1.20 offers (85% received one offer). For those selecting into investment banking, the mean number of offers was 1.22 (84% received one offer). Based on this distribution, we created an indicator variable for *multiple offers* that equals "1" if the individual received multiple offers (25% of sample) and "0" if the graduate only received one offer (75% of the sample).

For *bonus compensation*, we used student's self-reported data on the bonus offered to them by employers of the job they accepted. Bonus consisted of eight components[3]: guaranteed performance, guaranteed year end, other, profit sharing, relocation, sign on, stock options, and tuition reimbursement. Sign-on bonus comprised the largest component of bonus compensation for graduates: 36% of total bonuses awarded in 2008 and 44% in 2009. Other major contributors to overall bonus were relocation expenses (9% of total bonus awarded both years) and guaranteed bonuses at year-end (11-12% across both years). It is important to note that all aspects of the bonus variable are pre-hire. Even though in some instances, bonus included components having to do with end-of-year (individual or firm) performance or expected variable amounts – they were pre-hire estimates of bonus compensation self-reported by the candidates.

In speaking to industry and recruiting experts, we learned that beyond the base salary, which is largely fixed at a corporate level (Kuhnen & Oyer, 2012) – hiring managers at firms often have the flexibility to assign discretionary pay into these bonuses categories to different candidates. Accordingly,

[3] In 2009, the school expanded their reporting to also include additional aspects of these eight components, such as housing in addition to relocation, early sign on bonus and internship bonus in addition to the original sign on bonus. In addition, they added a category for variable performance bonus. Notably the total reported bonus amount offered to our sample shrunk from $28M in 2008 to $12M in 2009.

we did not want to exclude or prioritize one component of bonus over another so as not to inadvertently leave out any aspect of discretionary pay that a particular hiring manager may have used to award to a candidate. Thus, without a strong theoretical motivation to prioritize one component of bonus over another, we created a single total bonus compensation variable that summed across all components. The level of bonus compensation did vary across industries, where individuals accepting jobs in investment banking had a median bonus of $60,000 compared to $52,500 for those in consulting, $31,000 for those in corporate finance, and $29,166 for those in marketing. Due to the skewed distribution of bonus compensation, we used the natural log of the total bonus amount[4].

Independent Variables

The key explanatory covariate in our analysis is a *focused profile* variable that we created for investment banking, which equals one if the individual has a "focus" in investment banking and zero otherwise. While the term "investment banking" is used loosely to indicate a specific career, it in fact covers a broad array of jobs across a variety of firms. Most who think about investment banking have in mind the large, prestigious "bulge bracket" firms that offer full services from financial advisory to merger and acquisition work, such as Goldman Sachs or Merrill Lynch/Bank of America. Yet, banks can also specialize geographically or in a specific service. For example, some banks have a global focus, headquartered outside of the U.S., such as Barclay's Bank in the UK, while other smaller, boutique firms focus on regions within the U.S., such as Raymond James Financial in the Southeast, or offer selected services, such as Miller Buckfire, specializing in corporate restructuring. As varied as the firm's position in the market, jobs in investment banking also span a wide range from working at a sales and trading desk to modeling and analysis work involved in mergers and acquisitions, to providing wealth management and advisory services for private clients.

Accordingly, we use a definition that includes positions as traders, analysts, associates, research analysts, those working in private equity, wealth management, venture capital, and equity analysts. We excluded traditional corporate finance positions in a non-banking firm – even those using similar "analyst" titles –from our categorization.

To define "focus", we examined the data to extract characteristics of individuals who demonstrated a consistency across their activities that correspond with area prescriptions in the business

[4] While we report descriptive statistics in our paper, we are not including the minimum or maximum statistics on compensation in order to preserve anonymity. Additionally, results hold when bonus is not logged (t=-4.49 for focus variable).

press and by career advisors. We determined five time periods where an individual could display such specialization in creating a focused profile: prior work experience, concentration in the MBA program, extracurricular involvement during business school, internship selection, and accepted offer of a permanent job. An individual "focused in investment banking" had to have a career history of finance prior to entering business school, concentrate in finance during the program, be a member of the investment banking club, secure an internship in investment banking, and then accept an offer in investment banking. We then created an indicator variable of *focus in investment banking* equal to 1 when all five criteria were met. To further illustrate our approach we provide an example of our coding methodology in Appendix 1, where we illustrate two candidate profiles (one "focused" and the other "not focused"). As evidence that being focused was common, 60 percent of those in our analysis who accepted a job in investment banking had a focused profile in investment banking. If we are correct in our predictions, focused candidates will be associated with fewer offers and lower bonuses, even after a host of control variables. Specifically, our regressions control for differences in ability and intellectual breadth, demographics, experience, social class, satisfaction with the offer received and whether it was the result of a negotiation, the overall value of the job, industry differences, and economic climate.

Control Variables

Many other factors predict career rewards, so we use a model that includes individual, organizational, and industry controls. For the individual level, we coded key demographic characteristics, such as race, marital status, gender, age, and citizenship status as well as socioeconomic status indicators of parental education levels known to be important to compensation (McCall, 2001; Brown and Misra, 2003). For example, since the prototypical young investment banker is a single male (Turco, 2010), we coded indicators of gender by marital status to insure that returns to focus or specialization were not confounded by gender roles: *single man*, *single woman*, *married woman*, and *married man* (as the omitted category). Through preliminary analysis and in accordance with career and gender literature that point to differences across gender and marital status (Correll, Benard and Paik, 2007, Hom et al., 2008; Stroh, Brett and Reilly, 1992), we found interacting these to create these four categories the best

specification of the model. As only six individuals (one percent of total sample) indicated they had children, we did not include a control for whether the MBA was a parent.

For race, we created a *non-white* variable that indicated a "1" for the 50% of students (mostly pan-Asian) who were listed as any category other than "Caucasian". We coded age at time of graduation (*matriculation age*) to observe any differences based on life stages in which individuals entered the MBA program. We also included a squared term for age to reflect prior labor market research that has demonstrated a non-linear effect to age (e.g., Peng, 1992). We included citizenship status, coding "1" for *non-U.S.-citizen*, knowing that this may affect hiring decisions (Bratsberg, Ragan, and Nasir, 2002), as well as the *highest educational level of the candidate's mother and father* to capture social class differences, which ranged from 0 (less than high school) to 5 (doctorate degree).

Additionally, we accounted for differences in individual experience, knowledge, and ability that may affect monetary rewards, particularly among this population (Bertrand et al, 2009; Kuhnen & Oyer, 2012). To measure pre-MBA educational differences, we created a variable that equaled "1" for individuals who majored in *undergraduate business* as well as an indicator if the individual held a *graduate degree* in another area, such as a Masters in Engineering.

We also constructed a metric based on the reputation of each (U.S.) candidate's undergraduate institution using the U.S. News & World Report rankings in 2002 for the class of 2008 and 2003 for the class of 2009 (based on the average age of students graduating in 2008 and 2009 to determine the mean year that students attended undergraduate school). From here we constructed various measures of rankings, including top 20, top 10, top five, and top 3. From analysis, we determined *top five U.S. undergraduate* to be the most appropriate. Notably, institutional reputation also allows us to capture individual status differences, which we know to be important as a filtering mechanism for gaining access to jobs (Rivera, 2011a) as well as economic opportunity more generally (Merton, 1968). To the extent that having graduated from a top five undergraduate is correlated with quality of the candidate, our measure also proxies for differences in ability.

Pre-MBA work experience can pre-dispose a candidate toward continuing on that same career path in the future (Correll, 2001). In addition, as a way of prioritizing through a tremendous number of resumes, hiring firms may consider prior experience as valuable signal of ability (Bidwell et al., 2013). Accordingly, we include three measures of prior work experience: a duration measure that was a count of

the *number of months of work experience* an individual had upon entry into the MBA program; an indicator variable that measured if an individual had *previous experience in finance*; and, a count variable that tallied the *number of prior organizations* an individual worked for before entering the program.

We included other measures of individual ability during the program. For instance, we knew whether an individual was *accepted in the first round* of admission decisions to this program (35 percent of our sample) as an indicator of how easily the applicant passed the screening into a top-tier MBA program. We also included the individual's *verbal and quantitative GMAT score*. Not surprisingly, distribution in these scores was skewed toward the high end. So as to capture those that excelled at this measure and thus differentiated themselves on an aptitude level, we created a variable that equaled "1" for the 37% of students who scored in the 95th percentile or above on the verbal component and a "1" for the 20% who scored in the 95th percentile or above on the quantitative component of the GMAT. We also coded whether the candidate *listed finance as one of their concentrations* to insure that any effect of being focused was not driven solely by a candidate with specialized finance skills and learning in the program. To account for those who choose many concentrations versus specialized in one or two, we included a measure that counted the *number of concentrations*.

Other career studies have found GPA to be important (Bidwell et al., 2013; Cocchiara et al., 2010; Kuhnen and Oyer, 2012), and so, we controlled for GPA upon graduation. After a variety of specifications, we split GPA into three segments: having a *GPA* less than a 3.0, GPA between 3.0 and 3.8, and GPA greater than 3.8, reflecting evidence that the effect of GPA in our models was non-linear. The middle category became our omitted category so that we could see how the tails (highly accomplished and below average students) impacted offers and bonuses. We also included a variable that accounted for those who did not consent to share their GPA to insure that those not consenting were systematically of lower quality or otherwise differed in unobservable ways that would affect their attractiveness.

Other matriculation controls included a measure of extra-curricular club memberships. Through qualitative interviews with school personnel and in viewing each club's website and purported mission, we learned that career-focused clubs were used primarily for recruiting, network contacts, and advice and information on careers in that function (Kuhnen, 2012 found the same to be true at a peer institution). As such, *club participation in investment banking* or *in finance* became important as controls for effort spent

toward a particular career focus. Internship and full-time job characteristics were also considered. As internships may lead to full-time job opportunities, shape career preferences, or become important considerations for hiring firms, we wanted to account for them in our analysis (Kuhnen and Oyer, 2012). Accordingly, we controlled for having an *internship in investment banking*. We also controlled for those individuals who *accepted a full-time job from their internship firm* as well as those individuals whose *firm sponsored* them (paid for their MBA education in return for a commitment to return to the firm post-graduation) in the event that these influenced bonus or offers sought. Controlling for club membership and internships also allows us to separate the effect of being focused from these two components of focus. That is, if the effect of being a focused investment banking candidate is driven by club membership or the internship experience, then including these variables should attenuate our effect.

The school maintained various job source measures which can affect the relationship between being a focused candidate and career outcomes from individuals' leveraging their own networks to a sophisticated on campus interview process where students could be invited by employing firms to interview ("invite") or allocate points toward securing an interview with an employing firm ("open"). From these we were able to create separate dummy variables for those individuals who noted that they *sourced their internship* or*, their full-time job from the "invite"* list. To address inter-industry differences in the demand and compensation, we also included dummy variables for the *primary sectors and functions of employment*: investment banking, management consulting, marketing, and corporate finance.

Our final set of controls arises from the offer and job search itself. For instance, we controlled for the *base salary of the accepted job*, which we took the natural log of due to its skewed nature. As compensation represents both fixed (base) and variable (bonus) pay, it was important that we control for differences in base salaries awarded. In particular, the base salary controlled for unobserved within industry differences in the job. That said, variance in the base salary within industry was not substantial. The median base salary for our sample was $100,000, which was largely driven by the salaries for investment bankers and consultants (these two groups make up 75% of our final sample). The median base salary for the investment bankers in our sample was $95,000 with 67% of the candidates earning a base between $90,000 and $100,000. This corresponds well with compensation surveys that listed the average base salary of a first year associate in investment banking at $93,000 (WallStreetOasis.com,

2009). About 5% of investment bankers had base salaries less than $90,000 and 3% had base salaries greater than $135,000. The median base salary for the consultants in our sample was $125,000 and was similarly narrow, where 89% of the consultants had a base between $120,000 and $125,000.

To account for the possibility that lower bonuses were associated with candidates who were accepting a job out of need versus desire, we coded data from career services on whether the candidate indicated that the offer they represented their *first choice* of permanent jobs. Consistent with the notion that elite MBAs have desirable and favorable job matches (Rivera 2011a), 86 percent of the individuals noted that the job was their first choice. This control allows us to insure that any effect we find is not driven by focused bankers who saw themselves as pursuing inferior opportunities or that they were compensated less than would have been optimal.

We control for the graduation cohort to capture changes in the economic climate by distinguishing *graduation in 2008* (before the recession affected the MBA market) from 2009 (during the recession). While the overall recession traces its beginnings to 2007 (Mian and Sufi 2010), the employment statistics of financial services on Wall Street (see http://www.labor.ny.gov/stats/nyc/NYChist.xls) as well as the employment statistics of our institution's graduates, showed that the labor market did not suffer until 2009. Thus our choice of years allows us to control for economics climates and document any differences that may be due to that climate. We also coded for self-reports of *whether the offer was negotiated* as this may have affected the bonus awarded and may have been associated with differences between focused and unfocused candidate's ability or willingness to negotiate. Indicating that one has negotiated also serves as a proxy for attempts to use other difficult to observe interpersonal and influence skills. We included a measure for geographic location of the job, specifically noting if the job was located in the U.S., as different countries may involve different compensation schemes, prestige, or job characteristics. In addition, since relocation is part of bonus compensation, noting that the candidate is *working inside versus outside of the U.S.* should be positively associated with our dependent variable.

Finally, it is important to emphasize that as a part of our specification strategy we include each component of our focus variable separately in the analyses in addition to the focus variable. That is, not only is having pre-MBA work experience in finance a component in operationalizing whether the candidate has a focused investment banking profile, but we also include pre-MBA work experience in finance as a separate control. If being focused is merely driven by pre-MBA experience, then including

this control will explain away our hypothesized effect. More generally, with controls for each component of focus separately entered into the regression we are able to differentiate across those individuals who have elements of focus from those who construct an entire specialized profile that coherently links all of the elements.

Descriptive statistics appear in Table 1 the sample of 378 (due to missing data) that we use for our regressions, although this varies little from the full sample of 616. We did not report the maximum and minimum salary information to preserve anonymity of the individuals in our study. The means and correlations matched conventional intuition, and we found no concerns for multicollinearity. For example, given the construction of our key independent variable, having a focused profile in investment banking is most correlated with accepting a job in investment banking (r=0.70), being a member of an investment banking club (r=0.63), doing an internship at an investment bank (r=0.59), and having prior experience in finance (r=0.54). Having received multiple offers was most highly correlated with the graduation year (r=0.18), and the bonus was most highly correlated with getting a job in investment banking.

[Insert Table 1 about here.]

Method

To test the relationship between whether a candidate is focused and the likelihood of receiving multiple offers, we use a probit regression, where our dependent variable equals "1" if the candidate received multiple offers, zero otherwise. While graduates from elite MBA programs have a high probability of receiving at least one offer, other studies of top tier programs have found (as we do) that a vast majority of graduates receive only one offer (Kuhnen and Oyer, 2012). In our data, 75% of the students in our sample received only one offer, suggesting that a probit specification was appropriate. Moreover, we examined Akaike Information Criterion values (Akaike, 1974; Burnham and Anderson, 2004), which can be used to compare models across specifications by identifying which AIC values are lower (indicating less information left unexplained). The AIC values confirmed that a probit specification (AIC=374.55) modeled our data substantially better than alternative specifications that modeled the count of offers such as an ordered probit model (AIC=546.88), or Poisson regression (AIC=980.43).

We use quantile regressions (Koenker and Hallock, 2001; Koenker, 2005) to model the starting bonus compensation and test the effect of having a focused career and academic profile on the median

bonus of graduating MBAs' starting salaries. Recently, quantile (or median) regressions have increased in use among management and organizational scholars (Kang and Liu, 2010; Singh and Fleming, 2010; Kapoor and Adner, 2012), who have followed labor economics and human resource scholars as an approach often superior to OLS regressions (Buchinsky, 1998; Aggarwal and Samwick, 1999; Yu et al., 2003; Wiseman and Chatterjee, 2010). It is this empirical tradition that has also motivated our own use of quantile regressions to study MBA starting compensation.

In quantile regressions, the estimation centers on the relation between a set of predictor variables (e.g., focused profile) and specific percentiles (or quantiles) of the dependent variable (starting bonus), by specifying changes in the quantiles of the dependent variable. For example, our quantile regression of bonuses can specify the changes in the median bonus as a function of whether the MBA's career and academic trajectory are focused. Especially in situations in which one's dependent variable is skewed or abnormally distributed (even after logging the variable of interest), the quantile regression has two advantages over the traditional OLS specification. First, quantile regressions allow us to capture the effect of a focused profile on the median bonus while avoiding erroneous interpretations driven by outliers or non-normal distributions that often accompany compensation data. In our case, since the median bonus is also the modal bonus, we are able to more directly examine the effect of focus on more "typical" cases as well as those where the bonus is unusually high or low. By contrast an OLS specification, by construction, is remarkably sensitive to outliers (Cook, 1979), leading many scholars studying compensation to either note the misleading nature of the estimates (Goolsbee, 2000) or drop the outliers altogether from their analysis (Brander, 2006).

Second, quantile regressions allow one to understand whether the relationship between independent and dependent variables varies along the distribution of the dependent variable (Koenker and Hallock, 2001; Singh and Fleming, 2010). In our results section we graphically represent our results to demonstrate the benefit of quantile regression by comparing the estimate from an OLS specification – which assumes that the relationship between focus and bonus is the same no matter where in the distribution the bonus is – to estimates from a set of quantile regressions that allow one to observe how the direction, magnitude, and statistical significance of having a focused profile might vary across the distribution, yielding a more nuanced and informative test of our second hypothesis.

All of our analyses were conducted using StataSE 13.

RESULTS

Focused Candidates and Multiple Offers

We first test our hypothesis on the relationship between having a focused identity and job offers received (H1). Specifically, in Model 1 of Table 2 we test whether focused investment bankers have a lower probability of receiving multiple offers with a small number of controls drawn from dominant theories on labor market outcomes: whether the candidate is a married woman, the amount of prior work experience, attendance in a top five undergraduate institution, GPA in the MBA program, graduation year, and whether the individual's MBA is sponsored.

[Insert Table 2 about here.]

Consistent with our first hypothesis, having a focused profile in investment banking results in a lower probability of receiving multiple offers (-0.85, z=-4.05). Of the controls, having more pre-MBA work experience and graduating in 2008 both positively increased the chances of receiving multiple offers while being a married woman reduced one's chances (-0.94, z=-2.26). No other controls in our first model significantly predicted the probability of a candidate receiving multiple offers.

In Model 2 we estimate the effect of having a focused profile with all of the other pre-offer controls on the probability of receiving multiple offers (Table 2, Model 2). Again, we find that having a focused profile decreases (-0.95, z=-3.28) the probability of receiving multiple offers. The same controls that prove significant predictors of having multiple offers in the simpler model remain robust in the larger model. In addition, other significant controls in this model include age, which produced a non-linear effect initially positive (1.42, z=1.99) and then negative (-0.03, z=-2.10). Thus, we find support for H1 that investment banking candidates with focused profiles receive fewer offers.

To visualize the magnitude of the effect we generated predicted (marginal) probabilities of receiving multiple offers for different profiles. In particular, we compared three groups: focused investment bankers, unfocused investment bankers, and all others in our sample (e.g., consultants). Figure 1 shows each of the three probabilities of receiving multiple offers for a hypothetical candidate who has mean values for each of the control variables. As Figure 1 shows, the probability that a focused investment bank candidate received multiple offers was 8%, while the probability for an unfocused

investment bank candidate was 21%,[5] and for all other (non-banking) candidates, the probability was 31%. The figure conveys that focused investment banking candidates were less than half as likely to get multiple offers compared to unfocused investment banking candidates, and a quarter as likely compared to all remaining graduates.

[Insert Figure 1 about here.]

Focused Candidates and Starting Salary Bonus

To test our hypothesis that candidates having a focused profile in investment banking receive lower starting bonus compensation (H2), we again begin with a basic model that includes only a handful of controls and our focus variable. We include similar controls as we did for predicting job offers (see Model 1, Table 2) and also add industry variables of four typical MBA career tracks (consulting, marketing, corporate finance, and investment banking), an indicator of whether this represents the candidate's first choice of job, and an indicator of whether the individual received multiple offers. (Table 3, Model 1).

[Insert Table 3 about here.]

Model 1 provides initial statistical evidence in support of H2. Specifically, we find a negative and significant effect on bonus compensation of the starting accepted offer for individuals focused in investment banking (-0.19, t=-2.19). With respect to the controls, we find that bonuses are positively associated with accepting a job in management consulting or investment banking (and negatively for jobs in corporate finance and marketing) compared to other functions such as general management or corporate strategy (omitted reference category). Additionally, bonuses were positively associated with attendance at a top five undergraduate institution, having an MBA sponsored by a firm, and when the job was reported as the candidate's first choice. Similar to job offer models, bonus compensation is negatively associated with being a married woman. Graduation year did not significantly affect bonus compensation.

[5] To estimate the probability of unfocused investment banking candidates receiving multiple offers (and to insure that it was significantly higher than focused investment banking candidates), we included a control in the model for those who accepted a job in investment banking. This model is not shown in Table 2 as it has an odd property – we are estimating the number of offers received using a variable that is technically undefined before an offer is actually accepted. At the same time, doing so controls for the possibility in Model 2 that our focus variable captures people who accepted jobs in investment banking without adjusting for the fact that people in investment banking received fewer offers whether they were focused or not. When we do this, focus continues to be negative and significant in predicting the probability of receiving multiple offers (-0.70, z=-2.17) as is accepting a job in investment banking (-0.53, z=-1.83). So that we can compare the three profiles in Figure 1, we use this model to predict marginal probabilities.

In Model 2 of Table 3 we next include all the controls in the fully specified model. As in Model 1, the effect of focus in investment banking is negative and significant (-0.31, t=-3.46), providing strong support for H2. Indeed, the effect is significant despite the inclusion of the components of our focus variable. Namely, taking a job in investment banking has an independent effect on bonus compensation (0.59, t=5.86). Having a finance concentration is significant but negative (-0.14, t=-2.25), while participation in investment banking clubs, having previous experience in finance, or, working in an investment banking internship are all non-significant.

Many of the other controls reach significance in Model 2. Married women continue to be penalized, with a negative and significant effect. U.S. citizenship status is significant, with non-citizens earning lower bonuses. Father education level is also negative and significant. Human capital indicators remain consistent, with attending a top five undergraduate institution again positive and significant. Graduate degree holders in other areas positively benefit from that additional training.

Looking at the matriculation experience, there are few significant effects. We find a negative effect for a finance concentration and a positive one for individuals who selected many concentrations. It is possible that having many concentrations reflects broad career experiences and training on the part of the graduate spilling over to their job search. Those accepted in the first round of admissions to this graduate program earned higher bonuses, which likely speaks to differences in ability (the round of admission is not directly observed by employers). The non-effect of GPA and GMAT aptitude was initially surprising given the rhetoric around the importance of grades and test scores and their association with individual ability. However, our informal interviews with students suggest diminishing returns to GPA, with very high GPA indicating a misallocation of effort between academic performance, job searching, networking, and garnering experiences in other areas that are valuable to employers. We expect that especially at top business schools, indicators such as GPA and GMAT scores are less predictive of labor market success since (as our first scope condition suggests) the pool of candidates have already been screened for high ability. Moreover, because of grade non-disclosure policies, employers often do not see a candidate's grades, reducing their signaling value (employers can observe whether a student won an award or honor due to having strong grades).

With respect to internship and job selection, only two industry measures prove significant: selecting employment into investment banking or marketing. Sourcing one's job or internship via an

employer invitation does not prove significant. Unsurprisingly, those who earned higher base salaries also earned higher bonuses (0.81, t=6.80), as did those who noted the job as their first choice (0.36, t=5.56). Notably, receiving multiple offers did not significantly impact bonus. Those accepting jobs located in the U.S. earned lower bonuses relative to those who accepted jobs internationally (-0.20, t=-3.12). Individuals who negotiated their compensation did not do significantly better or worse.

Figure 2 graphically illustrates our results. Specifically, we compare a hypothetical pair of MBA candidates. Each hypothetical candidate is a single male, who graduated from a top five undergraduate institution, has above 3.8 GPA, holds an additional graduate degree, concentrates in finance, has the mean age and work experience characteristics, accepts a job in investment banking and earns the mean base salary for investment banking jobs in his cohort year. The only difference is that one has a focused profile in investment banking and the other is also employed in investment banking but without a focused profile of investment banking experiences. We compare what the model would predict for the pair of graduates in 2008 and again in 2009. Using the coefficients and variable values in Model 2 to sum across algebraically (with an exponential transformation), the model suggests that the median bonus for a linear, focused profile of an individual in the 2008 cohort with the mean base salary was $70,560, but was $95,824 for the individual who did not have the focused profile - a difference of $25,264. Similarly in 2009 cohort, the focused individual earned $67,017 in bonus, while the un-focused investment banking candidate earned $91,013 – a difference of $23,996.

[Insert Figure 2 about here.]

Alternative Explanations

We find strong support for our hypotheses where employers discount focused MBA candidates with fewer job offers and lower starting bonus compensation. Nonetheless, we recognize other explanations in addition to our theory could explain the same results despite the fact that our findings were robust to an abundance of controls and different specifications of the model. One possibility is that focused MBA candidates are inherently lower in quality than un-focused candidates, and that this lower quality is evident *before* the person is hired and begins to work, leading to lower rewards. While a credible alternative hypothesis, most of the academic and anecdotal evidence would lead us to expect that *ex ante* the relationship would be the opposite – that focused MBA candidates are more talented, not less (Neal 1995), especially in the skills associated with success as an investment banking candidates

(Bertrand, et al, 2009; Forbes, 2012; Khalife, 2012).

Nevertheless, to test this possibility we regressed the likelihood of being focused as a function of our demographic and human capital control variables (see Appendix 2 for results). The analysis revealed that – in contrast to the alternative explanation that focused candidates are discounted because of lower ability – focused candidates are reflective of *higher* quality with respect to GMAT scores, attendance at top 5 U.S. undergraduates, and having additional graduate degrees. The only exception we found was that focused individuals work at fewer organizations prior to grad school.

We also examined whether the prior experience of focused individuals was somehow of lower quality which might lead to worse jobs out of graduate schools. Specifically, we had a measure of an individual's reported salary at their last job prior to graduate school. Notably the mean prior salaries of focused and unfocused investment bankers were negligibly different ($49,798 compared to $51,130 respectively). Adding prior salary into our models did not change any of our results. In sum, there is no evidence that focused candidates are rewarded less because they are of lower quality.

Nonetheless, it still could be possible that even among this high quality group of individuals, gradations exist that are important to distinguish. Fortunately, our quantile regression approach allows us to examine precisely whether focus is distinguishing between candidates on the low end of the compensation distribution versus those at the median (which is what we presented in Table 3) or high in the distribution. This is helpful since if the negative focus profile effect was only significant at the lowest end of the compensation distribution, then one may surmise that this variable is distinguishing between the lowest performers. Toward this end, we performed a supplemental analysis of quantile regression specifying different quantiles beginning with the 5th percentile and continuing through the 95th percentile (See Figure 3). For visual ease, we show only the effects of focus in the accompanying data results, although the model included the full covariates from Table 3. As the solid line in Figure 3 and accompanying data results show, focus is negatively associated with bonus at a statistically significant level up through the 80th percentile. At the 90th percentile, focus remains negative but does not reach significance. At the 95th percentile, focus is positive, but not significant. As a baseline for comparison, the dashed line represents the estimated effect of focus using OLS.

[Insert Figure 3 about here.]

Two things become striking when looking at the results in Figure 3. First, similar to the work of Koenker and Hallock (2001), Hallock, et al. (2008), Singh and Fleming (2010), and Wiseman and Chatterjee (2010), the benefit of using quantile regression becomes evident when directly compared to the OLS specification. The quantile regression allows us to see differences along the compensation distribution – which is more informative than the OLS specification that averages across the entire distribution. Second, while the bulk of the effect is fairly consistent, the estimates on either end of the distribution are noticeably distinct. Namely, between the 10th and the 90th percentile, the effect hovers consistently around a narrower band of effect sizes and is most negative in the range of the distribution that captures a vast majority of the candidates. However, at the very bottom (5th percentile) and very top (95th percentile) the effect is highly negative and positive, respectively.

While we were not surprised by the more notable differences in effect size at the highest and lowest quantiles more generally (see Hallock et al., 2008 and Singh and Fleming, 2010 for similar patterns), we wanted to better understand the reversal in effect direction (albeit not statistically significant) at the very highest percentile. There were two reasons for our interest. First, this appears to be the region of the distribution where our theory is not supported, and better understanding the jobs that correspond to this region may help better understand our overall model. Second, while the lowest bonuses in the distribution were relatively closer to the mean, the highest bonuses were substantially higher than the mean.

One possibility is that those holding jobs with extraordinary bonus compensation must be accepting highly unusual jobs – and thus do not match our three scope conditions and theory. In particular, our third scope condition on the supply and demand would not hold for idiosyncratic jobs and skills as (by definition) they cannot be commodities. Idiosyncratic jobs would be precisely the types that both our model and the past scholarship would expect to be associated with a specialist advantage (cf. Zuckerman et al, 2003). In other words, they may be "exceptions that prove the rule".

In looking at these top earners more closely, we discovered two individuals reporting extraordinarily high bonuses. While we cannot disclose specifics of their compensation due to confidentiality, they reported bonuses almost 25 times the median investment banking bonus even though their titles were consonant with other graduating MBAs entering this profession and nothing discernible

from their observables made them stand out as remarkable. Notably, these two individuals accepted jobs in venture capital, which are often difficult jobs for MBA graduates secure, typically reserved for top MBA talent (for this school historically 2-3% of accepted these types of jobs upon graduation). As a point of comparison, we looked at reported statistics for this institution for MBA graduates accepting jobs in venture capital/private equity (the institution combined the categorization) and also looked more generally at what MBA graduates entering this field typically earned in compensation. Compared with these sources, the two bonus amounts again stood out as very unusual. The bonus amounts alone were seven to eight times higher than the maximum reported *total compensation* at the school for comparable jobs. And, the reported amounts equaled publicized bonus compensation amounts earned by C-suite executives working at top-tier venture capital firms.

It is unclear whether these extraordinary bonus amounts were legitimate, but if so they would have to be associated with very unusual jobs compared to the typical MBA graduate entering into investment banking and venture capital/private equity. When we re-ran the regressions for each quantile removing these two individuals and a second time, also removing the two lowest bonus earners to balance the outliers on either end, all results remained the same with the negative, significant effect of focus robust from the 5th through the 85th percentile. The OLS coefficient was also negative and statistically significant. The advantage to the quantile regression is that we can estimate the effects of these outliers without dropping them from the analysis. It also allows us to suggest that the evidence remains consistent with our theory such that under our scope conditions there is a specialization discount for focused candidates. In particular, it may be the case that our theory pertains best to the typical job for a new MBA investment banking – the Associate position in a traditional investment bank – as this was the overwhelming majority of the investment banking positions obtained by the candidates in our data.

Pursuing other alternative explanations, we considered whether there was something specific about investment banking that uniquely produced our results. Accordingly, we created focus variables for fields in which MBAs selected jobs besides investment banking. Although the size of the sample of focused MBAs for marketing or corporate finance was not large enough to analyze as rigorously as investment banking, we are able to collapse our data to capture whether an individual specialized in any other field outside of investment banking to create a single category of individuals who had focused in their respective field versus those who did not. Specifically, we used our investment banking focus

variable as a template for creating an indicator variable for MBAs who were focused in marketing, corporate finance, or management consulting. For consulting, we used the course concentration of strategy as no consulting concentration was offered at this program and the major consulting area for jobs among MBA graduates was strategy-focused management consulting (such as Boston Consulting Group or McKinsey). In our sample, 47 (27 in consulting, 7 in corporate finance, 13 in marketing) MBAs who selected jobs in marketing, corporate finance, or consulting had focused profiles.

Using the same controls as the fully specified model (Table 2) for offers and for bonus (Table 3), we find partial support for our theory when looking at being focused in fields outside of investment banking (results available but not shown to preserve space). Specifically, being focused in the other fields was negatively associated with receiving multiple offers (H1), although the effect did not reach significance. Similar to those focused in investment banking, individuals focused in these other areas also earned lower bonuses (-0.14, t=-1.73) compared to their unfocused peers (H2). Thus, while the structure of the investment banking labor market makes it a better context to test our theory, there is evidence that focus is discounted more generally, adding to the robustness of our theory and evidence.

DISCUSSION AND CONCLUSION

We believe that the often-discussed advantage to specialism in labor markets is at risk of being overgeneralized. While scholars have identified contexts in which labor market specialism is beneficial, and suggested that their findings should not refer to every setting, we lack a developed model for understanding when focus and specialism can be beneficial or detrimental. We claim that a combination of three scope conditions helps to advance our understanding. First, in settings in which there are strong (institutionalized) screening mechanisms, specialization lacks the benefit of reducing uncertainty of a candidate's ability. Markets for actors and freelance programmers for example (Zuckerman et. al. 2003; Leung 2013), lack strong screening mechanisms. Specialization here can serve as an imperfect substitute for a screening mechanism. However, the market for MBAs is characterized by intense screening, eliminating and potentially reversing the advantage of specialization.

Second, a candidate's profile must contain experiences that are deliberate investments in order for them to serve as signals (Spence 1973). MBA candidates not only purposively invest in building their professional profiles, but they also actively offer their profiles as evidence of those investments. In this way MBA candidates differ substantially from Ferguson and Hasan's (2012) Indian civil service workers

whose employment profiles are exogenously (and randomly) determined. While relevant experiences, the profiles of the Indian civil service workers are not "signals". On the contrary, when experiences are investments (and thus signals) employers can evaluate them based on the relative cost of those investments. When being a specialist involves less cost – such as continuing to maintain a focused investment banking profile by joining clubs and getting work experiences that incrementally extend past efforts – then the employer may discount that profile.

Third, being a focused (or specialized) candidate is harmful to the extent that the profile is commoditized. The greater the proportion of the market that shares one's profile, the lower the value of that profile. This is a fundamental economic point, but too often overlooked when examining the returns to candidate profiles. It implies that since the supply of focused investment banking candidates is high, such candidates are relatively easy to value and replace.

Using rich data on two cohorts of top tier MBAs that cover all aspects of their matriculation experience up to the acceptance of their first post-MBA job, we provide strong evidence of a labor market discount for investment banking candidates with focused profiles. In particular, we find that compared to their unfocused peers, focused investment banking candidates were not only less than half as likely to receive multiple offers, but were also offered over $20,000 less in bonus compensation.

In extending our theory, our definition of focus and its relationship to specialization is important to note. Specifically, we see focus as emerging through a sequentially coordinated series of activities that individuals accumulate early in their careers, which can be read collectively as one coherent profile. Focused candidates are specialists, but only those specialist who have a coherent sequence of career investments are focused. An incoherent sequence is more similar to Leung's (2013) definition of erraticism. Our use of focus also captures identity more so than a specific set of skills or expertise – such that a focused identity (focusing as a specialist) is publicly offered as a profile to employers for evaluation. It is the identity associated with one's "resume". And, contrary to accounts of specialization as unique or rare, we use the language of "profiles", where particular profiles vary in how common or rare they might be. In this way the arguments and evidence in this paper relate to a larger literature on specialization, but particularly on the sequential accumulation of investments that result in an evaluative profile.

Our findings have implications not only to MBA students, but also to those who advise MBA candidates, and as well to business schools that construct tracks to create focused MBAs in a particular field. Efforts to help MBA students can have unintended consequences by increasing the likelihood of producing highly-screened commodities for the market. Employers may benefit from some proportion of their labor market being commoditized if it lowers their cost of doing business; however it would appear that focused MBA candidates suffer.

That said, our scope conditions allow us to ask whether our findings apply to all business schools. For example, we examine a top-tier business school; a context for which having an effective screening is salient. This makes it a good setting for observing any disadvantages that come from having a focused profile. On the other hand, to the extent that the screening mechanism is ineffective (either because the business school is not selective or because businesses do not invest in screening before hiring), focused MBA candidates can experience advantages. Our third scope condition also forces us to consider how our research setting features a top-tier business school that is well-known for producing investment banking candidates, compared to, let's say, candidates for positions in non-profit organizations. Our model would predict that the infrequent MBA candidate for a non-profit would not be discounted for constructing a focused non-profit profile especially in the finance and consulting oriented business school that we studied. In general, to the extent that a candidate is pursuing a position that is unusual, we would not expect the discount for being focused to hold.

Our study also points to the potential for important future research to address some of the natural shortcomings of our study. For example, while many of our control variables speak directly to differences in human capital, they less effectively capture unobserved heterogeneity in psychological differences that may correlate with being a focused candidate. To be clear, our theory is consistent with the argument that employers *perceive* that focused candidates are psychologically inferior. Instead, future research should examine whether focused candidates are actually different behaviorally or psychologically. For example, it is possible that individuals who are conformist or risk-averse are more likely to be focused and to perform less well in interviews. As more than one career counselor at top-tier MBA programs stated, MBA students too often converge to a similar profile despite the advice from counselors to not mimic their peers. A potentially revealing study would be to examine whether risk-averse individuals sort into focused jobs, and then become discounted because of their risk aversion.

Another approach might be to examine whether other forms of risk aversion (such as risk aversion in course selection, or responses to a survey instrument) are associated with lower outcomes. These studies would not only enrich our study, but the entire body of research on labor market specialization.

We also believe that more analysis is needed to determine whether focused candidates are more likely to value fit to the organizational culture of their employer, thus making them less likely to search for multiple potential employers and also less inclined to value monetary incentives to the same degree than less focused candidates. In our study we have a limited number (N=163) of surveys of respondents who provided "reasons" for taking the job they settled on such as: "compensation", "potential for growth", "personal (dual career, family, etc.)", "training opportunities", "reputation in the industry", "culture/people/environment", or "dissatisfaction with other opportunities". When we examined which was the top reason that the student gave, we found no statistical difference between focused and less-focused candidates in their reasons for accepting their jobs. That said, our sample was incomplete with only a portion of our respondents. We believe that future analyses can benefit from a more direct inquiry.

A study on hiring naturally brings up the question of how focused candidates fare post-hire. It is possible that, once working for the firm, specialization is rewarded, suggesting that candidates who focus are making a tradeoff of a short run cost for longer term success. Recent work by Bidwell (2011) on specialization of investment bankers suggests however that even in the post-MBA market, specialists are valued less than external hires, who are thought to be bringing in a new set of skills that the firm rewards in terms of higher compensation and promotions rates. However, despite his study of the type of top-tier investment bank we consider in our study, Bidwell's (2011) cannot be directly compared to ours. What is needed is a study that links pre-MBA and MBA matriculation data with post-MBA mobility – such as a panel or archival study capturing individuals from the beginning of their matriculation through the first several stages of their professional careers.

Finally, we believe that one of the advantages that come from this study is our unique ability to simultaneously test various alternative explanations related to early careers (through our control variables and model specifications). Our analysis allowed us to create individual level "profiles" where we could also evaluate each component of a focused profile such as one's accumulated human capital, academic success and aptitude, and early career experiences. We see this as an important precursor to sorting

mechanisms that set individuals on future career trajectories. As an important step towards this end, we hope our study will provide encouragement toward future research endeavors in this direction.

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Table 1: Descriptive Statistics based on analysis sample (N=378).

		V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15
Mean		0.48	0.25	0.06	0.21	28.01	790	0.50	0.30	3.26	2.88	0.05	58.37	2.32	0.48	0.17
Std. Dev		0.50	0.43	0.23	0.41	2.26	131	0.50	0.46	1.37	1.30	0.21	23.59	1.26	0.50	0.38
Min		0	0	0	0	22.92	525	0	0	0	0	0	5	0	0	0
Max		1	1	1	1	36.58	1338	1	1	5	5	1	170	10	1	1
Observations		398	398	398	398	398	398	384	398	397	397	398	398	398	398	397
Demographic Characteristics																
V1	Single Man	1														
V2	Single Woman	-0.56 *	1													
V3	Married Woman	-0.23 *	-0.14 *	1												
V4	Married Man	-0.50 *	-0.30 *	-0.12 *	1											
V5	Age at Graduation	-0.11 *	-0.30 *	0.14 *	0.37 *	1										
V6	Age at Graduation Squared	-0.11 *	-0.29 *	0.14 *	0.37 *	1.00 *	1									
V7	Not Caucasian	-0.12 *	0.06	0.07	0.04	0.08	0.09	1								
V8	Not a US Citizen	-0.08	-0.07	0.01	0.16 *	0.23 *	0.23 *	0.27 *	1							
V9	Father's Highest Education Level	0.05	0.05	-0.09	-0.06	-0.15 *	-0.15 *	-0.08	-0.09	1						
V10	Mother's Highest Education Level	0.09	0.04	-0.04	-0.13 *	-0.11 *	-0.11 *	-0.09	-0.11 *	0.62 *	1					
Pre-MBA History																
V11	Attended Top 5 Undergraduate School	0.01	0.10	-0.05	-0.08	-0.09	-0.09	-0.05	-0.14 *	0.01	-0.01	1				
V12	Prior Work Experience (months)	-0.07	-0.20 *	0.14 *	0.21 *	0.81 *	0.81 *	0.04	0.15 *	-0.07	-0.03	-0.06	1			
V13	# of Prior Firms Worked For	-0.02	0.01	-0.04	0.03	0.18 *	0.18 *	-0.03	-0.03	-0.05	-0.02	-0.04	0.17 *	1		
V14	Prior Exper in Finance	0.13 *	-0.17 *	0.08	0.05	0.05	0.05	0.02	0.08	0.01	-0.04	0.01	0.01	-0.11 *	1	
V15	Has Add'l Grad Degree	-0.02	-0.14 *	0.01	0.17 *	0.17 *	0.32 *	0.32 *	0.14 *	-0.04	0.00	-0.06	0.13 *	0.00	0.08	1
Academic Experience																
V16	Accepted in First Round Admissions	-0.01	-0.02	-0.02	0.04	-0.08	-0.08	-0.12 *	0.02	0.00	-0.01	0.02	-0.07	-0	0.18 *	-0.07
V17	GMAT Quant >=95th percentile	-0.06	-0.06	0.02	0.12 *	0.11 *	0.11 *	0.24 *	0.38 *	0.04	-0.01	-0.08 *	0.04	0.01	0.04	0.15 *
V18	GMAT Verb >=95th percentile	0.10 *	-0.05	-0.03	-0.05	-0.05	-0.05	-0.16 *	-0.15 *	0.02	0.02	0.11 *	0.02	0.03	-0.03	0.09
V19	GPA<=3.0	-0.08	0.18 *	0.02	-0.10 *	0.04	0.05	0.08	0.03	0.00	0.03	-0.08	0.00	0.07	-0.10	0.03
V20	GPA between 3.0-3.8	0.07	-0.14 *	0.01	0.06	0.04	0.04	0.03	0.07	-0.02	-0.05	0.07	0.02	-0.05	0.02	-0.02
V21	GPA>=3.8	0.06	-0.07	-0.01	0.01	0.06	0.06	-0.09	0.07	0.04	0.05	-0.05	0.05	-0.02	0.11 *	0.06
V22	Indicator for GPA data missing	-0.05	0.06	-0.02	0.00	-0.11 *	-0.11 *	-0.03	-0.13 *	0.01	0.01	0.01	-0.04	0.01	0.00	-0.03
V23	Concentration in Finance	0.15 *	-0.18 *	-0.12	0.08	0.08	0.08	0.07	0.17 *	-0.06	-0.08	-0.02	0.03	-0.08	0.37 *	0.16 *
V24	# of Concentrations	-0.01	0.00	-0.03	0.02	0.15 *	0.15 *	0.14 *	0.04	-0.09	0.02	0.05	0.17 *	0.11 *	-0.06	0.03
V25	Member of Inv Bank Club	0.18 *	-0.19 *	-0.09	0.03	0.06	0.06	0.06	0.15 *	-0.02	-0.05	0.02	-0.03	-0.13 *	0.44 *	0.16 *
V26	Member of Finance Club	0.16 *	-0.20 *	-0.09	0.06	0.05	0.04	0.01	0.02	-0.05	-0.01	-0.06	0.02	-0.08	0.34 *	0.02
Internship & Permanent Job																
V27	Internship Inv Bank	0.20 *	-0.19 *	-0.13 *	0.02	0.03	0.03	0.06	0.11 *	-0.05	-0.03	0.04	-0.04	-0.04	0.60 *	0.09
V28	Sourced Internship by Employer Invitation	0.00	0.03	0.05	-0.07	-0.11 *	-0.12 *	-0.06	-0.07	0.07	0.07	0.01	-0.07	-0.12 *	0.05	-0.01
V29	Accepted Full time Consulting Job	-0.07	0.05	0.05	0.01	-0.03	-0.03	0.01	0.05	0.01	-0.02	-0.11 *	0.00	0.03	-0.34 *	0.00
V30	Accepted Full time Inv Bank Job	0.21 *	-0.20 *	-0.13 *	0.02	0.05	0.04	0.05	0.11 *	0.01	0.00	0.02	-0.02	-0.09	0.53 *	0.13 *
V31	Accepted Full time Marketing Job	-0.12 *	0.18 *	0.11 *	-0.11 *	-0.10	-0.09	-0.02	-0.16 *	0.02	0.09	0.01	-0.04	0.00	-0.23 *	-0.08
V32	Accepted Full time Finance Job	-0.06	0.00	0.05	0.04	0.01	0.01	-0.01	0.00	-0.03	-0.04	-0.08	-0.02	-0.03	0.15 *	-0.05

Note: * significant at .05 level

Table 1: Descriptive Statistics based on analysis sample (N=378) - *continued*.

		V1	V2	V3	V4	V5	V6	V7	V8	V9	V10	V11	V12	V13	V14	V15
Job Offer Characteristics																
V33	Graduated in 2008	0.06	-0.07	-0.03	0.02	0.08	0.08	0.01	-0.07	0.00	0.01	-0.02	0.04	-0.04	0.14 *	0.07
V34	Ln (Base Salary)	-0.05	-0.06	0.03	0.11 *	0.11 *	0.11 *	-0.04	-0.01	0.04	0.05	-0.14 *	0.13 *	0.02	-0.08	0.02
V35	Ln (Bonus Salary)	0.14 *	-0.14 *	-0.15 *	0.07	0.07	0.06	-0.01	0.04	-0.06	-0.05	0.04	0.07	-0.01	0.21 *	0.09
V36	Received more than One Job Offer	-0.01	0.03	-0.09 *	0.03	0.04	0.03	0.04	-0.01	-0.03	-0.06	0.07	0.09	0.14 *	-0.04	-0.02
V37	Number of Job Offers	0.00	0.02	-0.06	0.01	0.05	0.05	0.01	-0.01	-0.06	-0.07	0.07	0.11 *	0.12 *	-0.03	0.03
V38	Full time Job was First Choice	0.06	-0.02	0.03	-0.07	0.01	0.01	-0.18 *	-0.08	-0.11 *	-0.08	0.05	0.02	-0.10	0.00	-0.07
V39	Full Time Job located in US	0.03	0.07	0.02	-0.10 *	-0.17 *	-0.17 *	-0.15 *	-0.50 *	0.09	0.14 *	0.02	-0.16 *	-0.03	-0.06	0.01
V40	Negotiated with Employer	-0.07	-0.03	0.04	0.10 *	0.02	0.03	0.01	0.01	-0.03	-0.02	-0.08	0.04	0.16 *	-0.06	-0.02
V41	Accepted Job with Internship Employer	0.05	-0.06	0.10	-0.06	-0.02	-0.01	-0.06	0.05	0.06	0.04	-0.13 *	0.00	-0.38 *	0.11 *	0.00
V42	Sourced Job by Employer Invitation	-0.03	0.05	-0.06	0.03	-0.05	-0.05	0.00	-0.12 *	0.03	0.00	0.08	-0.02	0.16 *	-0.14 *	0.01
V43	MBA Sponsored by Prior Employer	-0.06	-0.01	0.07	0.05 *	-0.02	-0.02	-0.07	0.07	0.00	-0.01	0.08	-0.02	-0.03	-0.06	-0.05
V44	Having a Focus in Inv Banking	0.13 *	-0.12 *	-0.10 *	0.01	-0.01	-0.01	-0.01	0.03	0.02	-0.03	0.07	-0.07	0.12 *	0.54 *	0.12 *
		V16	**V17**	**V18**	**V19**	**V20**	**V21**	**V22**	**V23**	**V24**	**V25**	**V26**	**V27**	**V28**	**V29**	**V30**
	Mean	0.35	0.20	0.37	0.11	0.57	0.06	0.26	0.76	2.68	0.41	0.40	0.44	0.62	0.27	0.35
	Std. Dev	0.48	0.40	0.48	0.31	0.50	0.23	0.44	0.43	0.83	0.49	0.49	0.50	0.49	0.45	0.48
	Min	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Max	1	1	1	1	1	1	1	1	4	1	1	1	1	1	1
	Observations	398	398	398	398	398	398	398	398	395	392	392	394	396	397	398
Academic Experience																
V16	Accepted in First Round Admissions	1														
V17	GMAT Quant >=95th percentile	0.06	1													
V18	GMAT Verb >=95th percentile	0.04	-0.02	1												
V19	GPA<=3.0	-0.12 *	0.03	-0.15 *	1											
V20	GPA between 3.0-3.8	0.11 *	0.00	0.11 *	-0.41 *	1										
V21	GPA>=3.8	0.00	0.09	0.12 *	-0.09	-0.29 *	1									
V22	Indicator for GPA data missing	-0.03	-0.05	-0.08 *	-0.21 *	-0.68 *	-0.15 *	1								
V23	Concentration in Finance	0.00	0.07 *	-0.05	-0.01	0.04	-0.04	-0.02	1							
V24	# of Concentrations	-0.02	0.03	0.03	-0.05	0.10 *	-0.06	-0.05	0.23 *	1						
V25	Member of Inv Bank Club	0.04	0.16 *	-0.09	0.02	-0.01	-0.05	0.03	0.36 *	-0.03	1					
V26	Member of Finance Club	-0.04	0.02	0.08	-0.12 *	0.10 *	-0.01	-0.03	0.24 *	0.06	0.17 *	1				
Internship & Permanent Job																
V27	Internship Inv Bank	0.04	0.12 *	-0.06 *	-0.01	-0.05	0.02	0.05	0.40 *	-0.01	0.62 *	0.30 *	1			
V28	Sourced Internship by Employer Invitation	0.04	-0.05	0.05	-0.09	0.01	0.10 *	0.00	0.01	0.00	0.09	-0.04	0.10 *	1		
V29	Accepted Full time Consulting Job	-0.07	0.04	0.14 *	-0.05	0.05	0.02	-0.03	-0.10 *	-0.04	-0.24 *	-0.14 *	-0.44 *	-0.04	1	
V30	Accepted Full time Inv Bank Job	0.07	0.12 *	-0.03	-0.03	0.00	0.06	0.00	0.33 *	-0.08	0.55 *	0.23 *	0.76 *	0.08	-0.45 *	1
V31	Accepted Full time Marketing Job	0.01	-0.10 *	-0.04	0.05	-0.02	-0.05	0.02	-0.41 *	0.03	-0.25 *	-0.21 *	-0.27 *	0.06	-0.20 *	-0.24 *
V32	Accepted Full time Finance Job	-0.02	-0.08	-0.02	0.07	-0.09	0.01	0.05	0.15 *	0.02	0.00	0.16 *	0.00	-0.07	-0.22 *	-0.27 *

* Significant at .05 level

Table 1: Descriptive Statistics based on analysis sample (N=378) - *continued*.

		V16	V17	V18	V19	V20	V21	V22	V23	V24	V25	V26	V27	V28	V29	V30
Job Offer Characteristics																
V33	Graduated in 2008	0.00	0.04	-0.08	0.06	0.00	0.05	-0.07	0.10	0.02	0.06	0.10	0.08	0.04	-0.13 *	0.21 *
V34	Ln (Base Salary)	-0.12 *	-0.04	0.03	-0.01	0.05	0.02	-0.06	-0.03	-0.02	-0.16 *	-0.01	-0.20 *	-0.03	0.35 *	-0.22 *
V35	Ln (Bonus Salary)	0.06	0.02	0.08	-0.05	0.06	0.03	-0.05	0.16 *	0.06	0.20 *	0.12 *	0.25 *	0.03	-0.07	0.39 *
V36	Received more than One Job Offer	0.01	-0.02	0.03	-0.04	0.03	-0.02	0.00	-0.05	0.07	-0.11 *	-0.05	-0.13 *	-0.11 *	0.07	-0.15 *
V37	Number of Job Offers	-0.03	-0.01	0.07	-0.04	0.04	0.03	-0.04 *	-0.01	0.09	-0.10 *	-0.04	-0.13 *	-0.06	0.11 *	-0.15 *
V38	Full time Job was Reported as First Choice	0.06	-0.02	0.14 *	-0.02	0.01	0.04	-0.01	-0.01	-0.02	-0.01	0.01	-0.04	0.08	0.06	0.06
V39	Full Time Job located in US	-0.01	-0.21 *	0.14 *	-0.08	-0.07	0.07	0.08	0.16 *	-0.01	-0.17 *	0.03	-0.14 *	0.17 *	-0.04	-0.10
V40	Negotiated with Employer	-0.03	-0.02	-0.03	0.06	0.06	-0.03	-0.09	-0.03	0.07	-0.12 *	0.04	-0.13 *	-0.07	-0.13 *	-0.19 *
V41	Accepted Job with Internship Employer	-0.04	-0.02	0.00	-0.02	0.06	0.08	-0.09	-0.02	-0.03	0.14 *	0.04	0.07	0.22 *	-0.07	0.18 *
V42	Sourced Job by Employer Invitation	-0.08	-0.04	0.08	-0.01	-0.10	-0.01	0.12 *	-0.01	0.00	-0.17 *	-0.08	-0.19 *	0.01	0.18 *	-0.23 *
V43	MBA Sponsored by Prior Employer	0.06	0.00	0.01	-0.04	0.10	-0.03	-0.07	-0.04	0.04	-0.05	0.00	-0.01	0.00	0.08	-0.04
V44	Having a Focus in Inv Banking	0.07	0.10	-0.03	-0.03	0.03	0.03	-0.02	0.29 *	-0.02	0.63 *	0.10 *	0.59 *	0.11 *	-0.31 *	0.70 *

	V31	V32	V33	V34	V35	V36	V37	V38	V39	V40	V41	V42	V43	V44
Mean	0.10	0.12	0.61	11.57	10.76	0.25	1.38	0.86	0.79	0.13	0.53	0.20	0.01	0.21
Std. Dev	0.30	0.32	0.49	0.20	0.73	0.43	0.78	0.34	0.41	0.34	0.50	0.40	0.11	0.41
Min	0	0	0			0	1	0	0	0	0	0	0	0
Max	1	1	1			1	6	1	1	1	1	1	1	1
Observations	397	397	398	397	398	398	398	398	397	397	398	398	398	398

		V31	V32	V33	V34	V35	V36	V37	V38	V39	V40	V41	V42	V43	V44
Internship & Permanent Job (continued)															
V31	Accepted Full time Marketing Job	1													
V32	Accepted Full time Finance Job	-0.12 *	1												
Job Offer Characteristics															
V33	Graduated in 2008	-0.03	-0.20 *	1											
V34	Ln (Base Salary)	-0.17 *	-0.03	0.08 *	1										
V35	Ln (Bonus Salary)	-0.22 *	-0.14 *	0.11 *	0.21 *	1									
V36	Received more than One Job Offer	-0.03	0.01	0.18 *	0.14 *	0.08	1								
V37	Number of Job Offers	-0.05	0.01	0.19 *	0.18 *	0.09	0.84 *	1							
V38	Full time Job was Reported as First Choice	0.01	-0.06	0.06	0.02	0.18 *	-0.08	-0.03	1						
V39	Full Time Job located in US	0.15 *	-0.01	0.06	0.00	-0.08	-0.05	-0.03	0.16 *	1					
V40	Negotiated with Employer	0.13 *	0.16 *	-0.11 *	0.03	-0.12 *	0.13 *	0.12 *	-0.11 *	-0.04	1				
V41	Accepted Job with Internship Employer	0.04	-0.03	-0.09	-0.07	0.04	-0.42 *	-0.38 *	0.14 *	0.03	-0.13 *	1			
V42	Sourced Job by Employer Invitation	0.01	0.03	0.07 *	0.10 *	-0.06	0.24 *	0.22 *	-0.05	0.16 *	-0.04	0.46 *	1		
V43	MBA Sponsored by Prior Employer	-0.04	-0.04	-0.14 *	0.05	0.03	-0.01	-0.03	-0.02	-0.11 *	0.02	-0.12 *	-0.06	1	
V44	Having a Focus in Inv Banking	-0.17 *	-0.19 *	0.24 *	-0.12 *	0.26 *	-0.14 *	-0.12 *	0.15 *	-0.05	-0.18 *	0.21 *	-0.19 *	-0.06	1

* Significant at .05 level

Table 2. Probit Model Predicting the Probability a Candidate Received More than One Job Offer Upon Graduation.

	MODEL 1		MODEL 2	
	Beta	*SE*	*Beta*	*SE*
Demographic Characteristics				
Single Man			0.09	0.21
Single Woman			0.11	0.25
Married Woman	-0.94	0.41 *	-0.92	0.46 *
Age at Graduation			1.42	0.71 *
Age at Graduation Squared			-0.03	0.01 *
Non-white			0.17	0.17
Non-citizen			0.16	0.19
Father highest education level			0.05	0.07
Mother highest education level			-0.13	0.08 †
Pre-MBA History				
Prior Work Exp (in months)	0.01	0.00 †	0.01	0.01 †
Prior Organizations Worked For (number)			0.17	0.06 **
Previous Finance Work Experience			0.38	0.21 †
Attended Top 5 Undgrd School	0.56	0.36	0.59	0.38
Holds Another Grad Degree			0.11	0.23
Academic Experience				
Accepted in First Round (MBA program)			-0.02	0.17
GMAT Quant in top 95 pctile			-0.04	0.21
GMAT Verbal in top 95 pctile			0.07	0.17
GPA <=3.0	-0.25	0.25	-0.16	0.27
GPA >=3.80	-0.15	0.33	-0.20	0.36
GPA not reported	0.00	0.17	0.06	0.18
Concentration in finance			-0.15	0.21
Number of concentrations			0.06	0.10
Member of inv banking club			0.23	0.22
Member of finance club			-0.24	0.18
Graduated in 2008	0.71	0.16 ***	0.80	0.18 ***
Internship in inv banking			-0.32	0.23
MBA Sponsored by employer	0.03	0.72	0.59	0.62
Focus in Inv Banking	-0.85	0.21 ***	-0.95	0.29 ***
Constant	-1.23	0.23 ***	-21.36	10.31 *
Observations	381		381	
Log Likelihood	-194.77		-185.11	
Pseudo R2	0.099		0.152	

Note: *** significant at .001, ** significant at .01, *significant at .05, † significant at .10.

Figure 1. Comparison of Predicted Probabilities of Receiving More than One Offer for Focused, Unfocused, and Other Non-Banking MBA Candidates.

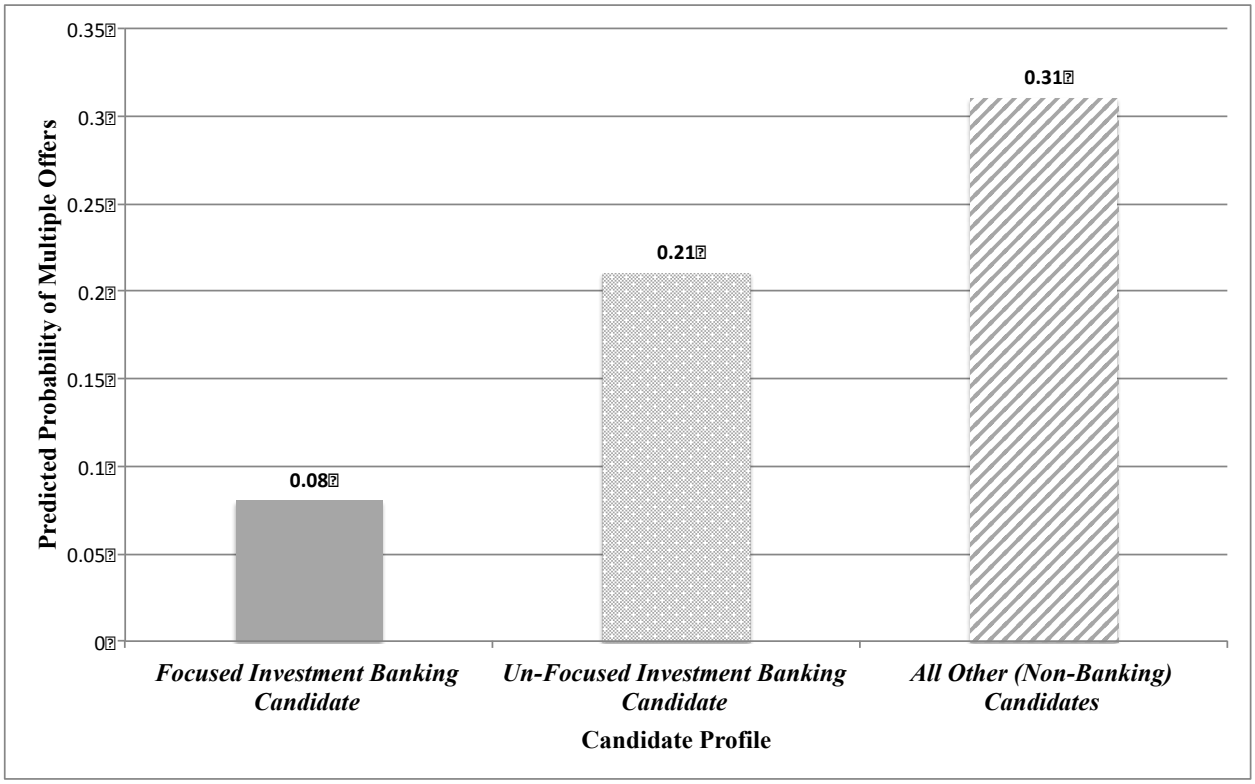


Table 3. Quantile Regression Predicting the Median Natural Log of Starting Bonus Compensation.

	Model 1		Model 2	
	Beta	*SE*	*Beta*	*SE*
Demographic Characteristics				
Single Man			0.06	0.06
Single Woman			0.00	0.07
Married Woman	-0.30	0.11 **	-0.20	0.10 *
Age at Graduation			0.25	0.18
Age at Graduation Squared			0.00	0.00
Non-white			-0.03	0.05
Non-citizen			-0.12	0.06 *
Father highest education level			-0.04	0.02 *
Mother highest education level			0.00	0.02
Pre-MBA History				
Prior Work Exp (in months)	0.00	0.00	0.00	0.00
Prior Organizations Worked For (number)			0.00	0.02
Previous Finance Work Experience			0.04	0.06
Attended Top 5 Undgrd School	0.24	0.13 †	0.32	0.12 **
Holds Another Grad Degree			0.14	0.06 *
Academic Experience				
Accepted in First Round (MBA program)			0.08	0.05 †
GMAT Quant in top 95 pctile			-0.04	0.06
GMAT Verbal in top 95 pctile			0.01	0.05
GPA <=3.0	-0.05	0.08	-0.08	0.08
GPA >=3.80	0.09	0.11	-0.01	0.10
GPA not reported	-0.09	0.06	-0.06	0.05
Concentration in Finance			-0.14	0.06 *
Number of Concentrations			0.06	0.03 *
Member I-Banking Club			-0.08	0.06
Member of Finance Club			-0.04	0.05
Internship & Permanent Job				
Internship in I-Banking			0.10	0.08
Internship Source -Employer "Invite" List			-0.01	0.05
Job in Management Consulting	0.27	0.08 ***	0.06	0.07
Job in Marketing	-0.20	0.10 †	-0.24	0.09 **
Job in I-Banking	0.50	0.09 ***	0.59	0.10 ***
Job in Corporate Finance	-0.20	0.10 *	-0.12	0.09
Job Offer Characteristics				
Graduated in 2008	0.08	0.05	-0.03	0.05
Ln (Base Salary of Offer)			0.81	0.12 ***
Offer Reported as First Choice	0.25	0.08 ***	0.36	0.06 ***
Received More than One Job Offer	0.05	0.06	0.02	0.06
Job Located in U.S.			-0.20	0.06 **
Negotiated Job Offer			-0.05	0.07
Internship same as Accepted Offer			0.07	0.06
Job Source - Employer "Invite" List			0.07	0.06
MBA Sponsored by Employer	0.73	0.22 ***	0.12	0.18
Focus in Inv Banking	-0.19	0.09 *	-0.31	0.09 ***
Constant	10.37	0.11 ***	-2.35	3.03
Observations	381		378	
Pseudo R2	0.146		0.207	

Note: *** significant at .001, ** significant at .01, *significant at .05, † significant at .10.

Figure 2. Comparison of Bonus Amounts for Hypothetical Focused and Unfocused Investment Banking Candidates Graduating in 2008 and 2009.

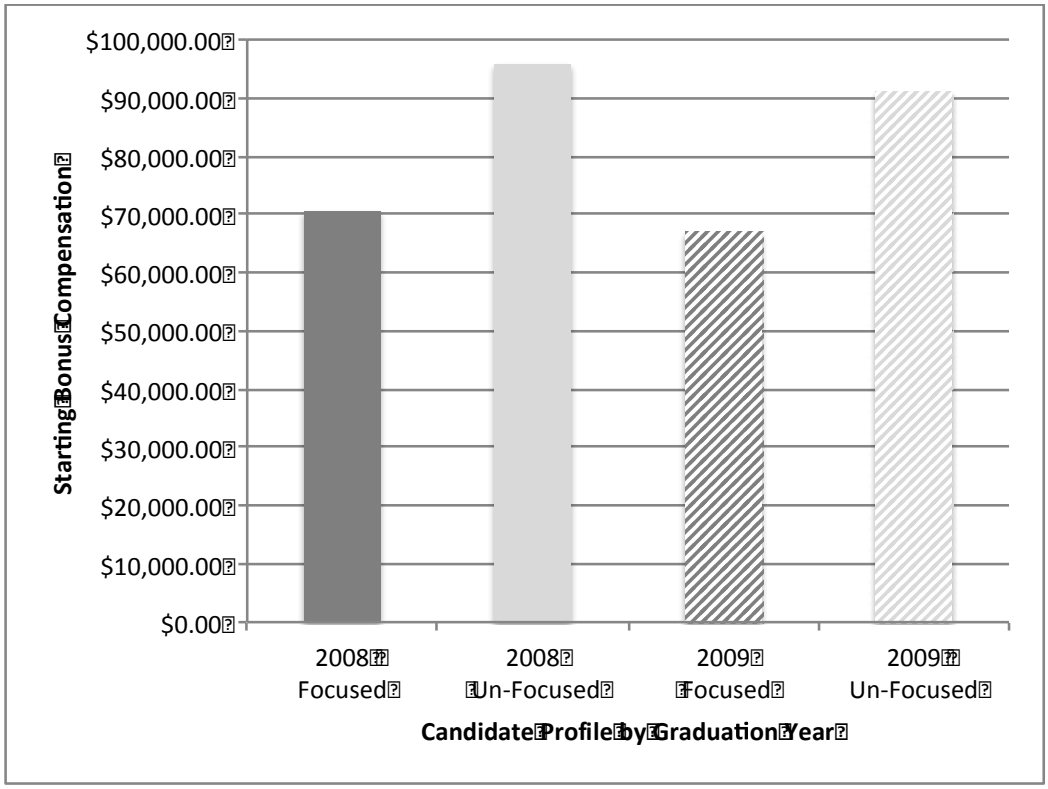
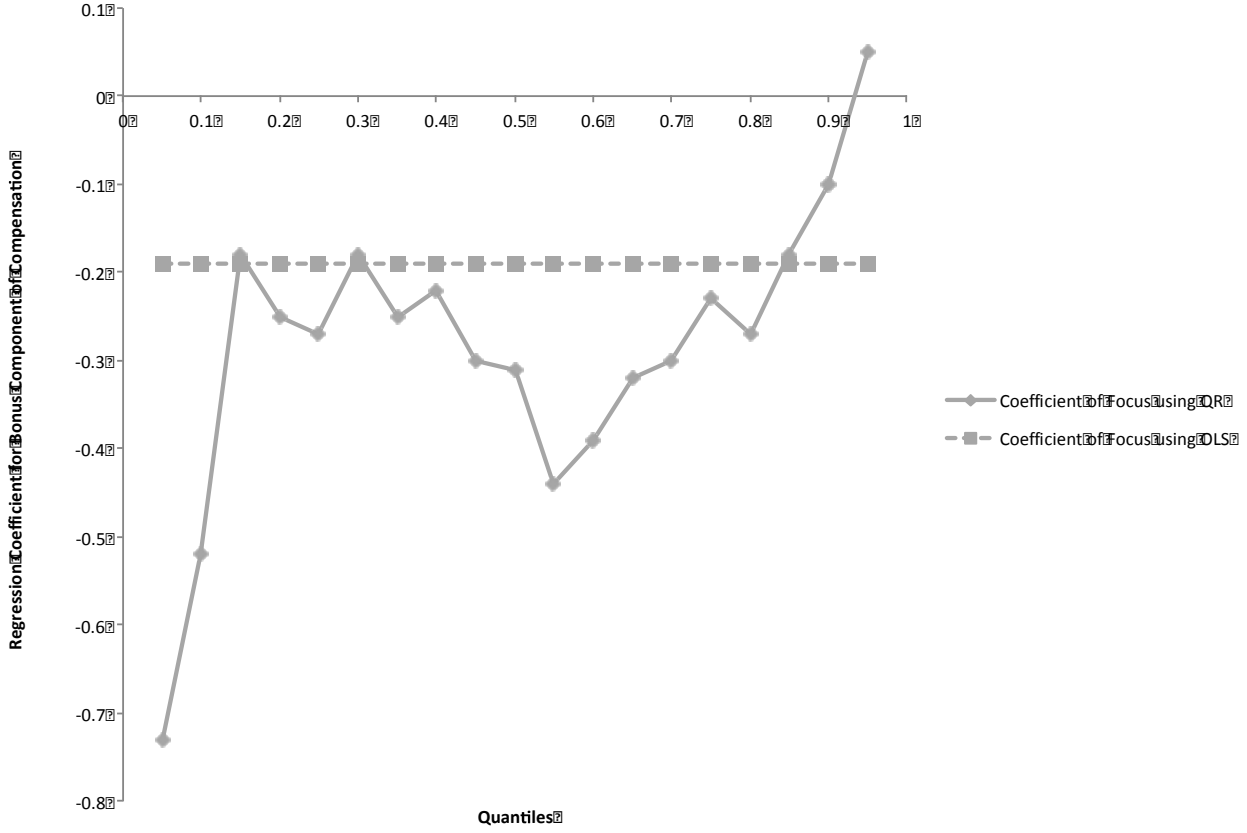


Figure 3. Comparison of Focus Coefficient Using Quantile Regression and OLS Regression with Accompanying Regression Results.



	OLS		*QUANTILE REGRESSION*															
			10th		25th		35th		Median		65th		80th		90th		95th	
	Beta	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*	*Beta*	*SE*
Focus in Inv Banking	-0.19	0.14	-0.52	0.14 ***	-0.27	0.11 *	-0.25	0.10 **	-0.31	0.09 ***	-0.32	0.09 ***	-0.27	0.11 *	-0.10	0.13	0.05	0.14
Observations	378		378		378		378		378		378		378		378		378	
R2	0.32		0.32		0.27		0.25		0.21		0.18		0.20		0.23		0.31	
All Remaining Variables from Table 3?	Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes		Yes	

Note: *** significant at .001, ** significant at .01, *significant at .05, † significant at .10

Appendix 1: Determining "Focus"

Here we selected two individuals from our data to demonstrate how employment and matriculation information was used to construct candidate profiles (we withhold some details to preserve anonymity). We coded the profile of Candidate 1 as "focused" in investment banking since the entire profile presents a coherent and specialized identity in this field. The profile of Candidate 2, while also resulting in a full-time job at a top-tier investment bank, is coded as "not focused". Note that the compensation for Candidate 2 is $36,000 higher than Candidate 1's compensation; this difference, as we commonly observed, was associated with the respective starting bonuses.

Profile of Candidate 1 (coded as "FOCUSED – INVESTMENT BANKING")

Employment information used to generate Candidate 1's profile:

- Pre-MBA
  - 8/2001 – 6/2003: Equity Sales Analyst at Top-Tier Investment Bank A
  - 7/2003 – 8/2006: Equity Sales Associate at Top-Tier Investment Bank A
- Summer Internship Between 1st and 2nd year of Matriculation
  - 6/2007 – 8/2007: Summer Associate at Top-Tier Investment Bank B

Matriculation information used to generate Candidate 1's profile:

- Academic Concentration
  - Accounting, Finance
- Club Memberships
  - Investment Banking Group

Accepted job at graduation used to generate Candidate 1's profile:

- Top-Tier Investment Bank
- Starting Base Salary = $97,000; Starting Bonus = $50,000; Total Compensation = $147,000

Profile of Candidate 2 (coded as "NOT FOCUSED – INVESTMENT BANKING")

Employment information used to generate Candidate 2's profile:

- Pre-MBA
  - 7/2001 – 2/2003: Design Engineer at top technology manufacturer X
  - 6/2003 – 6/2006: Staff Design Engineer at top technology manufacturer Y
- Summer Internship Between 1st and 2nd year of Matriculation
  - 6/2007 – 8/2007: Summer Associate, Research at Top-Tier Investment Bank C

Matriculation information used to generate Candidate 2's profile:

- Academic Concentration
  - Analytic Finance, Econometrics and Statistics
- Club Memberships
  - Athletic Club, Entrepreneurship Group, European Business Group, Hedge Fund Group, Investment Management Group

Accepted job at graduation used to generate Candidate 1's profile:

- Top-Tier Investment Bank
- Starting Base Salary = $95,000; Starting Bonus = $88,000; Total Compensation = $183,000

Appendix 2: Logistic regression model predicting likelihood to be focused in investment banking.

	MODEL	
	Beta	*SE*
Demographic Characteristics		
Single Man	0.53	0.38
Single Woman	-0.26	0.50
Married Woman	-1.56	1.09
Age at Graduation	2.27	1.41
Age at Graduation Squared	-0.04	0.02
Non-white	-0.21	0.30
Non-citizen	-0.24	0.33
Father highest education level	0.07	0.13
Mother highest education level	-0.19	0.14
Pre-MBA History		
Prior Work Exp (in months)	-0.01	0.01
Prior Organizations Worked For (number)	-0.26	0.13 *
Attended Top 5 Undgrd School	1.04	0.59 †
Holds Another Grad Degree	0.97	0.38 **
Academic Experience		
Accepted in First Round (MBA program)	0.36	0.28
GMAT Quant in top 95 pctile	0.68	0.35 †
GMAT Verbal in top 95 pctile	-0.31	0.30
GPA <=3.0	0.18	0.47
GPA >=3.80	0.23	0.56
GPA not reported	-0.08	0.33
Number of Concentrations	0.01	0.17
Constant	-33.59	20.22 †
Observations	381	
Pseudo R2	0.103	

Note: *** significant at .001, ** significant at .01, *significant at .05, † significant at .10.