**STATUS IS FROM MARS, CELEBRITY IS FROM VENUS: THE INFLUENCE OF STATUS AND CELEBRITY AS INTERPRETATIVE FRAMES ON NEWLY PUBLIC FIRMS’ STRATEGIC ALLIANCE FORMATIONS**

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**ABSTRACT**

We seek to advance research on social approval assets by theorizing how firm celebrity—a social approval asset derived from high levels of attention and positive affect—and status—a social approval asset based on a firm’s position in a social hierarchy—serve as different interpretive frames that influence the way other information about a firm is interpreted. We test our theoretical arguments in the highly ambiguous environment of strategic alliance formations by newly-public, Internet-based (dot-com) firms during the commercial emergence of the Internet. We find that status stimulates analytical information processing and increases strategic alliance formations, but it does not influence how potential alliance partners interpret other information about the firm. In contrast, celebrity enhances the influence of affective content in other information on strategic alliance formations, but decreases the positive effects of high status. These findings have important implications for understanding the mechanisms through which social approval assets influence market exchanges, as well as for understanding how different types of social approval assets create value.

The last fifteen years have seen an explosion of interest in social approval assets—that is, intangible assets based on favorable stakeholder perceptions of a firm (Pfarrer, Pollock & Rindova, 2010)—such as status, reputation, legitimacy, and celebrity (e.g., Deephouse, 2000; Rindova, Pollock, & Hayward, 2006; Washington & Zajac, 2005; for reviews see Barnett & Pollock, 2012; Deephouse & Suchman, 2008; Sauder, Lynn, & Podolny, 2012). Scholars have found that social approval assets influence how stakeholders engage with the firm (Jensen & Roy, 2008; Rindova, Williamson, Petkova, & Sever, 2005), how they evaluate its actions and outcomes (Pfarrer et al., 2010), and whether they exchange resources with it (Pollock & Gulati, 2007; Rindova & Fombrun, 1999).

Prior research has treated social approval assets primarily as signals that influence stakeholders’ actions because they reduce information asymmetries (Benjamin & Podolny, 1999; Connelly, Certo, Ireland, & Reutzel, 2011; Podolny, 2001; Stuart, Hoang, & Hybels, 1999). Signals are costly and observable indicators of otherwise unobservable firm quality derived either from a firm’s actions and characteristics (Weigelt & Camerer, 1988) or other market participants’ reactions to and interactions with the firm (Benjamin & Podolny, 1999). While the signaling perspective offers many valuable insights, it has limited applicability for analyzing the influence of social approval assets in ambiguous environments. The lack of consensus about how to interpret available information and arrive at appropriate evaluations of firms’ actions makes *interpretation* rather than information acquisition the central process that enables decision making and actions (Rindova, Ferrier, & Wiltbank, 2010). In such environments, actors seek to reduce not only informational uncertainty, but also “interpretative uncertainty”[[1]](#footnote-1) (Weber & Mayer, 2014: 1477). Whereas the former is concerned with a lack of information, the latter addresses the misalignment of the frameworks used to interpret and make sense of information.

While the importance of interpretation in ambiguous environments has been recognized (e.g., Petkova,Wadhwa, Yao & Jain, 2014; Rindova et al., 2010; Santos & Eisenhardt, 2009), the mechanisms affecting the interpretation processes employed in ambiguous environments are not well understood. Building on Pfarrer, Pollock, and Rindova (2010), we focus on the interpretative frames created by different social approval assets, and the different schemas (Fiske & Taylor, 1991) and information processing modes (Slovic, Finucane, Peters, & MacGregor, 2004) that they evoke. By focusing on the role social approval assets play as interpretative frames, we emphasize how their different socio-cognitive content—defined as the collective perceptions of a firm’s various attributes based on either its behaviors or others’ reactions to the firm—influences the way *other* information about the firm is processed.

As interpretative frames, social approval assets influence market exchanges through fundamentally different mechanisms than those proposed by signaling theory. Whereas the signaling perspective assumes social approval assets *directly* reduce perceived uncertainty by revealing “private” information about unobservable firm qualities that reduce information asymmetries (Connelly et al., 2011), the interpretive frames perspective considers how social approval assets filter other available information and how multiple sources of information may be combined by stakeholders when making decisions about firms (Pfarrer et al., 2010; Smith, 2011). Thus, we do not dispute that social approval assets can have direct signaling effects; rather, we seek to shed light on how they may also influence the ways other information is interpreted, especially in high-ambiguity environments where interpretation critically affects evaluation and action (Rindova et al., 2010).

In this study we compare the effects of status and celebrity as interpretive frames because their socio-cognitive content encompasses different firm attributes and types of social approval. Status reflects an actor’s position in a social hierarchy, which is often discerned from the actor’s pattern of affiliations and the deference it receives (Gould, 2002; Sauder et al., 2012; Washington & Zajac, 2005). Celebrity is based on the high level of public attention and positive emotional responses from stakeholder audiences and is constructed through media narratives that often embellish a firm’s actions (Rindova et al., 2006). Status and celebrity therefore generate interpretive frames that differ in both the expectations about future firm behavior and the information processing modes they evoke. Prior research has noted that celebrity is an interpretive frame that evokes affective information processing (Pfarrer et al., 2010), but no research we are aware of has considered the effects of status as an interpretive frame.

To understand how status and celebrity affect stakeholders’ interpretations of other available information about a firm, we examine their influence on strategic alliance formations by newly-public Internet firms during the commercial dawn of the Internet between 1995 and 2000. We focus on status and celebrity because in an ambiguous context such as this, high-status affiliations (Pollock, Chen, Jackson, & Hambrick, 2010; Stuart et al., 1999) and the media coverage that created celebrities (Petkova, Rindova, & Gupta, 2013; Pollock & Rindova, 2003; Pollock, Rindova, & Maggitti, 2008) were critical, whereas other social approval assets, such as reputation, were unavailable to start-ups who had yet to establish significant records of performance (Demers & Lewellen, 2003). We theorize how status and celebrity influenced the way other salient information about these firms—specifically, the level of underpricing they experienced during their initial public offerings (IPOs) (Ibbotson & Ritter, 1995)—was interpreted by potential alliance partners and affected their partnering decisions. We also consider how the joint possession of status and celebrity affected potential alliance partners’ decisions. We focus on alliance partners because they are important resource providers for newly public firms that make substantive and lasting resource commitments to them (Pollock & Gulati, 2007; Rindova, Yeow, Martins, & Faraj, 2012; Stern, Dukerich, & Zajac, 2014).

Our study makes several contributions. First, we advance research on the information interpretation dynamics in ambiguity-ridden markets by considering how status and celebrity serve as interpretive frames. We offer a novel perspective on how status and celebrity create value by theorizing the ways they influence how other information is used. Second, we examine how social approval assets with different socio-cognitive content affect newly-public firms’ access to resources by enhancing our understanding of how an important resource provider—strategic alliance partners—decide to make their resources and capabilities available to them (Pollock & Gulati, 2007; Stern et al., 2014). Finally, we distinguish celebrity from status, which have sometimes been conflated (Deephouse & Suchman, 2008), thereby adding to the growing literature on the interactions among different types of social approval assets (Ertug & Castellucci, 2013; Krishnan & Kozhikode, 2015; Stern et al., 2014).

**THEORY AND HYPOTHESES**

**Status and Celebrity as Interpretive Frames**

***Status and celebrity defined*.** “Status, for organizations as well as individuals, is broadly understood as the position in a social hierarchy that results from accumulated acts of deference” (Sauder et al., 2012: 268). Sauder and colleagues went on to state that “a central thesis of organizational research is that a firm’s status (and implicitly the deference to that firm) is influenced by the status of the entities with whom the firm affiliates.” Thus, status’s socio-cognitive content is based on observers’ perceptions that a firm is favored by other high-status actors—as deduced from its observable patterns of affiliation (Gould, 2002; Sauder et al., 2012). Within this broad definition, some scholars emphasize the importance of a firm’s network position as indicative of their status (Lynn, Podolny, & Tao, 2009; Podolny, 1993), while others stress high-profile relationships (Pollock et al., 2010; Stuart et al., 1999). For the newly public firms we study, affiliations with high-status venture capitalists and underwriters are critical for gaining status and engendering perceptions of quality, value, and abilities (Higgins & Gulati, 2003; Pollock et al., 2010).[[2]](#footnote-2)

Celebrity is defined as the command of high levels of public attention and positive emotional responses from stakeholder audiences (Rindova et al., 2006). It is generated by the media’s dramatic representations of firm strategies, leaders, and actions, often through the provision of intriguing and individuating details that excite and engage audiences but have little relevance for understanding the firms’ actual capabilities and characteristics (Rindova et al., 2006). The socio-cognitive content of celebrity therefore involves positive emotional resonance driven by perceptions that a firm is engaged in bold unconventional strategies, often linked to visionary leaders and quirky cultures.

***Interpretive frames*.** These definitions of status and celebrity highlight the different processes and socio-cognitive content through which they generate value, and therefore the different types of interpretive frames they provide (Pfarrer et al., 2010). Interpretive frames are schemas that provide default assumptions and expectations about social phenomena (DiMaggio, 1997). They selectively increase the salience of certain aspects of perceived reality and promote particular patterns of interpretations. Frames therefore do not reduce perceived information asymmetries as signals do; rather, they provide interpretive lenses that influence how stakeholders attend to and use other information (Fiss & Hirsch, 2005; Pfarrer et al., 2010; Smith, 2011; Weber & Mayer, 2014).

Smith (2011: 62) offered the following analogy for understanding interpretative frames: “Just as two lenses that vary in shape can receive identical beams of light and yet refract that light in markedly dissimilar ways, equivalent information may be differentially interpreted and reacted to” when viewed through different interpretive frames. Viewing status and celebrity as interpretive frames enables us to account for how the different collective perceptions underpinning each social approval asset affect stakeholders’ perceptions. It recognizes that the accumulated information associated with each asset becomes organized in collective schemas (Rindova & Fombrun, 1999) that both filter information about the firm along particular dimensions and influence the extent to which analytical versus affective information processing modes are evoked (Pfarrer et al., 2010).

Interpretive frames vary in the extent to which their socio-cognitive content involves “hot” and “cold” aspects of cognition (Fiske & Taylor, 1991). Frames with more emotional content stimulate “hot” affective information processing,[[3]](#footnote-3) which is rapid and holistic (Kahneman, 2011; Slovic et al., 2004) and relies to a great extent on emotions and heuristics to reach conclusions (Agarwal & Malhotra, 2005; Bundy & Pfarrer, 2015; Kahneman, 2011).

Celebrity is an interpretative frame that directs receivers’ attention to the excitement and positive emotions that the firm stimulates among stakeholder audiences through its rule-breaking, non-conforming behaviors (Rindova et al., 2006). Celebrity makes focal the broad scope of popularity and attention the firm enjoys, conveying a sense that the firm is interesting, popular, and is doing new and different things that audiences respond positively to, even if they do not fully understand what those things are. The celebrity frame is also likely to make the non-conformity of the firm’s behaviors and the associated risks they incur more salient (Pfarrer et al., 2010; Pollock, Mishina, & Seo, 2016; Rindova et al., 2006; Zavyalova, Pfarrer, & Reger, 2016).

Thus, overall, celebrity stimulates more holistic affective information processing, as its socio-cognitive content is largely based on the emotional resonance generated by being different (Pfarrer et al., 2010; Rindova et al., 2006). It can play a particularly important role in ambiguous contexts because “affect is a necessary bridge across the unexpected and the unknown” (Finucane et al., 2003: 341). As Finucane and colleagues (2003: 343) explained, “Readily available affective impressions can be easier and more effective [to use] than weighing the pros and cons of various reasons…especially when the required judgment or decision is complex.”

In contrast, frames with analytical socio-cognitive content induce “cold” analytical information processing (Pfarrer et al., 2010; Slovic et al., 2004). Analytical information processing is “conscious, deliberate, and based on logic, evidence, and causal reasoning” (Pfarrer et al., 2010: 1135). As an interpretative frame, status focuses attention on actors’ relationships and relative social standing, and leads audiences to draw inferences about the characteristics and behaviors that have led other actors of a particular social standing to affiliate with them.

Status therefore engenders analytical information processing as the dominant mode because assessing the meaning of high-status affiliations requires ascertaining the level, nature, and implications of their affiliations. Status can shape how other information is assessed, for example, by heightening attention to the firm’s ability to maintain relationships that can provide valuable resources (Podolny, 2001). High-status affiliations, however, may also constrain the options available to a new firm (Rindova, Barry, & Ketchen, 2009) suggesting that assessing an actor’s status and its implications for future performance calls for analytical processing.

In summary, status and celebrity are interpretive frames whose socio-cognitive content focus attention differently, and prompt different dominant information processing modes. While individuals use both information processing modes simultaneously, one mode tends to dominate in a given context (Slovic et al., 2004; Zajonc, 1980). We therefore expect that status and celebrity will vary in how they influence the ways stakeholder audiences interpret other information about firms. Below, we develop specific hypotheses about how status and celebrity affected the interpretive uncertainty that potential alliance partners experienced during the dawn of the Dot-Com Era.

**Research Context**

The emergence of the Internet as a commercial space in the mid-1990s created an environment characterized by a high degree of ambiguity regarding what kinds of companies would ultimately be successful, but also great excitement about what was seen as the most important disruptive technology of the 20th century (Hendershott, 2004; Pollock, Fund, & Baker, 2009; Rindova et al., 2010; Sine, Mitsuhashi, & Kirsch, 2006). Between 1995 and 2000, thousands of Internet start-ups raised billions of dollars to pursue opportunities in this sector (Hendershott, 2004). In contrast to prior eras, most of the companies that went public had limited revenues, significant losses, and untried business models (Trueman, Wong, & Zhang, 2000); however, they also had unique technologies, promising markets, and exciting new ways of reaching consumers (Rindova, Petkova, & Kotha, 2007). The extreme ambiguity and opportunity of the era led to unprecedented numbers of initial public offerings (IPOs) with average first-day changes in stock price that were five times larger than the average change in prior periods (Aggarwal, Krigman, & Womack, 2002; Pollock & Gulati, 2007), indicating an extreme level of market excitement.

Although IPOs brought legitimacy to Internet start-ups (Pollock & Rindova, 2003), substantial uncertainty remained about their future prospects (Pollock et al., 2009). Their short histories and poor conventional performance metrics prevented them from building strong reputations (Demers & Lewellen, 2003). However, high-status affiliations played a significant role in helping them garner resources (Gulati & Higgins, 2003; Pollock & Gulati, 2007). The public’s fascination with and exuberance about the commercial promise of the Internet also provided this highly ambiguous space with a massive influx of money and media attention (Hendershott, 2004; Zakon, 2004), facilitating the creation of celebrity firms. Thus, Internet start-ups during this era (known as the “Dot-Com Era”) offer a rare opportunity to isolate the effects of status and celebrity on newly public firms’ access to resources.

**Strategic Alliance Partners**

A strategic alliance is “any voluntarily initiated cooperative agreement between firms that involves exchange, sharing or co-development, and can include contributions by partners of capital, technology or firm-specific assets” (Pollock & Gulati, 2007: 341). Strategic alliances provide key resources that newly public firms need to continue growing (Lavie, 2007; Pollock & Gulati, 2007; Rindova et al., 2012; Stern et al., 2014). Alliance partners, in turn, see new firms as a source of access to new technologies and markets that can provide a degree of nimbleness and adaptability in fast-changing environments (Santos & Eisenhardt, 2009).

Obtaining the benefits of alliances, however, involves resolving a wide range of uncertainties about the partners’ resources, capabilities, and collaborative processes (Dyer & Singh, 1998). For example, Pollock and Gulati (2007: 341) argued that a newly-public firm’s access to strategic alliances “is dependent in part on its visibility within the industry, the perception that it has something useful to offer partners, and the expectation that the firm will be able to deliver on its commitments in the future.” Potential alliance partners resolve these uncertainties through prior experience, relationships with other firms that have formed alliances with the potential partner (Gulati & Gargiulo, 1999), and observed affiliations, especially with high-status others (Stern et al., 2014). Social approval assets therefore play a key role in reducing potential alliance partners’ perceived uncertainty (Pollock & Gulati, 2007; Stern et al., 2014) by influencing how available information is interpreted as discussed next.

**The** **Effects of Status and Celebrity on Interpreting Underpricing**

To the degree that status and celebrity evoke different interpretative frames, they are likely to influence how stakeholders use other available information in different ways (Graffin, Bundy, Porac, Wade, & Quinn, 2013; Pfarrer et al., 2010; Zavyalova, Pfarrer, Reger, & Shapiro, 2012). In the context of IPO firms, the amount of “underpricing” the IPO firm experiences represents salient information that significantly affects stakeholders’ perceptions of the firm (Demers & Lewellen, 2003; Pollock & Gulati, 2007; Pollock et al., 2008).

Underpricing refers to the percentage change in stock price on the first day a stock trades on a public exchange (Ibbotson & Ritter, 1995; Pollock et al., 2008). The level of underpricing is considered important information about a newly public firm because it is the first opportunity for the market to “price” the firm, and it reflects the difference between where a highly informed agent—the underwriter—and the market set the price for the firm’s stock. Based on assumptions of market efficiency, finance scholars have argued that the amount of underpricing a firm experiences indicates investors’ assessments of and uncertainty about the firm (see Ibbotson & Ritter [1995] for a review); the lower the underpricing, the less uncertainty investors perceive, and the closer the stock’s initial price will be to its “true” market value.

Underpricing, however, is a complex piece of information that can create interpretive uncertainty for stakeholder audiences, including potential strategic alliance partners. A growing body of research suggests that high levels of underpricing are indicative of a firm’s future potential and improve its access to a variety of resources and opportunities (e.g., Aggarwal et al., 2002; Cliff & Denis, 2004; Demers & Lewellen, 2003; Jegadeesh, Weinstein, & Welch, 1993; Pollock & Gulati, 2007; Pollock, Lee, Jin, & Lashley, 2015; Pollock et al., 2008; Rajan & Servaes, 1997; Tsang & Blevins, 2015). Analyzing underpricing from a social information processing perspective, Pollock and Gulati (2007: 345) noted that “the vast amount of research and popular press coverage about the market’s initial responses to IPOs…validated [underpricing] in the minds of many observers as perhaps one of the most important indicators of an IPO’s success.”

The level of underpricing also conveys both “cold” and “hot” information. While there is clearly an analytical component to assessing the “true” value of a firm relative to its offering price (Ibbotson & Ritter, 1995), emotions, excitement, and hype can also play significant roles in the amount of underpricing a firm experiences (Pollock & Gulati, 2007; Pollock & Rindova, 2003; Pollock et al., 2008). For example, the extreme uncertainty and exuberance of the Dot-Com Era led to previously unheard of levels of underpricing[[4]](#footnote-4) that were influenced to a significant degree by investors’ emotional reactions (Aggarwal et al., 2002; Pollock & Gulati, 2007; Trueman et al., 2000). Indeed, since analytical processes employing similar data and criteria should narrow the range of assessments, the extreme levels of underpricing observed for some IPOs were likely shaped by emotional investing (Seo, Goldfarb, & Barrett, 2010).

Thus, interpreting IPO underpricing is complex because it conveys both analytical and emotionally-laden information, and the amount of each type of information varies from one IPO to the next. The interpretive uncertainty underpricing creates is reflected in the wide variety of theories offered to explain the phenomenon (Ibbottson & Ritter, 1995; Tsang & Blevins, 2015). Of relevance here, prior research has specifically shown that underpricing has a positive relationship with strategic alliance formations (Pollock & Gulati, 2007). However, our arguments that status and celebrity serve as interpretive frames lead us to revisit this finding. Specifically, we expect that status and celebrity will create different lenses that focus attention on the different types of information content present in underpricing, drawing attention to and magnifying information that is consistent with the lens’s socio-cognitive content.

Low levels of underpricing are associated with rational, analytical information processing by investors and reflect little emotional buying. As an analytical frame, status is more likely to focus attention on the low levels of investor uncertainty about the firm implied by low levels of underpricing, thereby increasing alliance partners’ willingness to form alliances with the firm. Conversely, high levels of underpricing are indicative of investor excitement about the firm and emotional buying (Seo et al., 2010). As an affective interpretative frame, celebrity is likely to focus attention on investors’ excitement and high expectations for the firm’s future performance associated with high levels of underpricing, thereby increasing alliance partners’ willingness to form alliances with the firm. Thus, we expect that a firm’s status will influence alliance partners more at lower levels of underpricing, where analytical information processing already dominates, than at higher levels of underpricing, where affective information dominates. Conversely we expect that a firm’s celebrity will influence alliance partners more at higher levels of underpricing, where emotional information processing dominates, than at lower levels of underpricing, where analytical processing dominates. We therefore hypothesize:

*Hypothesis 1: Status will have a stronger positive effect on the relationship between underpricing and alliance formations by newly-public firms when underpricing is low than when underpricing is high.*

*Hypothesis 2: Celebrity will have a stronger positive effect on the relationship between underpricing and alliance formations by newly-public firms when underpricing is high than when underpricing is low.*

**The Joint Effects of Status and Celebrity**

As interpretative frames, status and celebrity affect not only how other information is perceived and used, but also how possession of one asset affects the interpretation of the other. Prior research suggests that both status and celebrity increase stakeholders’ willingness to exchange resources with a firm (Rindova et al., 2006; Sauder et al., 2012). Using the lens analogy discussed earlier (Smith, 2011), different lenses can provide “positive corrections,” for example, by correcting nearsightedness or farsightedness. However, the effectiveness of one lens may be diminished if viewed through a lens with a different type of correction.

In a similar fashion, we expect both status and celebrity will have positive effects on alliance formations; however, we expect their joint possession will increase stakeholders’ interpretative uncertainty because of the different “foci” they promote, and the different information processing modes they stimulate. Specifically, we expect that celebrity will affect how status is interpreted, for two reasons. First, to the degree that affective information processing precedes analytical information processing, celebrity is likely to be attended to first, and to affect how high-status affiliations are interpreted (Finucane et al., 2003). Second, media coverage may be more accessible than information about a firm’s high-status affiliations. Because celebrity is created through media coverage, it may precede other stakeholders’ evaluations. For example, Petkova and colleagues (2013) found evidence that venture capitalists took the level of media coverage high-tech start-ups have received into account in determining their level of funding.

While a celebrity frame by itself may elicit a positive response from potential alliance partners, its affective socio-cognitive content, including expectations of rule-breaking and non-conforming behaviors, may clash with the expectations associated with status. It takes time to acquire status and for positions in the status order to stabilize (Pollock et al., 2015; Washington & Zajac, 2005). Thus, actors carefully guard their status positions by affiliating selectively with those that are likely to maintain the status hierarchy and by engaging in accepted behaviors consistent with their status position (Podolny, 1994).

The joint possession of status and celebrity may therefore create interpretative uncertainty about what the high-status affiliations mean. To the extent the behaviors associated with celebrity are inconsistent with those desired by high-status affiliates, stakeholder audiences may question the significance of the firm’s high-status affiliations, as they may appear to be a by-product of media attention, rather than a result of careful evaluation. As a consequence, what the high-status affiliations reflect may be harder to interpret, and may have weaker effects on alliances partners’ willingness to form alliances with the firm. We therefore hypothesize:

*Hypothesis 3: Newly-public firms with high-status affiliations will form more strategic alliances when they are not celebrities than when they are celebrities.*

**METHODS**

**Sample**

Our initial sample consisted of 359 U.S.-based Internet start-up firms that conducted their IPOs between 1995 and 2000. We gathered data from Compustat, firm proxy statements, the Compact Disclosure SEC database, Securities Data Corporation Joint Ventures database, and LexisNexis. Consistent with prior research, we defined an Internet firm as a company founded with the intention of using the Internet as the core of its business and its primary basis for generating revenues (Pollock & Gulati, 2007). Older firms that were not founded with the intention of doing business on the Internet but later moved to the Internet were not included. The 1995 to 2000 time period encompassed the emergence of the Internet as a commercial space, and the building and bursting of the dot-com bubble (Pollock & Gulati, 2007). After accounting for missing data, the final sample included 347 firms. T-tests confirmed that there were no differences in our initial and final sample across salient dimensions such as celebrity, status, underpricing, and the number of strategic alliances formed.

**Dependent Variable**

***Post-IPO strategic alliances.*** We measured post-IPO alliances as the number of alliances a firm entered into during the first year after its IPO (Pollock & Gulati, 2007). We obtained these counts from the Securities Data Corporation Joint Ventures database. They include all forms of strategic alliances included in the database (e.g., marketing agreements, R&D alliances, product licensing agreements, and equity joint ventures).

**Independent Variables**

***Status.*** We used two different relationships that are important for assessing newly public firms’ status: venture capitalist status and underwriter status (Carter et al., 1998; Pollock et al., 2015). We identified whether the lead VC (that is, the VC who had the largest percentage equity stake in the company) had high status and whether a prestigious underwriter led the IPO.

We operationalized venture capitalist status based on the VC’s centrality in syndication networks (Guler, 2007; Hallen, 2008; Podolny, 2001; Pollock et al., 2015). We used the VC status data employed by Pollock and colleagues (2015) to create our measure. Using all available data in the Thomson Banker One Private Equity database, Pollock and colleagues constructed one-year adjacency matrices for each VC firm. Each annual matrix included co-investment networks based on five-year moving periods starting in 1990 or the VC’s founding year, if founded later than 1990. They used all available data when the firm was fewer than five years old. They measured centrality using Bonacich (1987) beta centrality—a measure that accounts for the centrality of the VC firm being assessed, as well as the centrality of the actors they are connected to. The beta value for this centrality measure sets how much of the network is accounted for when calculating centrality at each point; if the beta is set to zero, only the local network is considered. Larger betas reflect more of a network’s global structure. Consistent with prior research, they set beta to 75 percent of the reciprocal of the largest eigenvalue (Bonachich, 1987) and used UCINET version 6.399 to calculate VC status.

Because our interest is in the presence or absence of specific categorical affiliations with high-status actors (Deephouse & Suchman, 2008; Pfarrer et al., 2010), we used the above measure to identify the lead VC’s status, and coded it as 1, if the VC was in the top quartile of the VC status index the year the firm went public and 0 otherwise (Gompers, 1996; Lee & Wahal, 2004; Pollock & Gulati, 2007).

Underwriter status was operationalized using a measure developed by Jay Ritter, which is a modified version of the measure first developed by Carter and colleagues[[5]](#footnote-5) (cf. Carter & Manaster, 1990; Carter et al., 1998) that has been used in recent research (Acharya & Pollock, 2013; Lee et al., 2011; Pollock & Gulati, 2007). The index ranges from 0 (lowest status) to 9 (high status). Again, because we are only interested in categorical high-status affiliations, consistent with prior research we coded high underwriter status as a 1 when the measure’s value was greater than 8.75 and 0 otherwise (Pollock et al., 2010). We identified underwriters for the firms in our sample using the SDC New Issues database. Our overall measure of status equaled the sum of the two high-status affiliation indicators, creating a measure than ranged from zero (no high-status affiliations) to two (affiliations with both a high-status underwriter and a high-status VC).[[6]](#footnote-6) Based on this measure, 129 IPO firms (36%) had a status of zero, 139 had a status of one (46 had high VC status only and 93 had high underwriter status only), and 91 firms (25%) had a status of two.

***Celebrity.*** Firm celebrity is generated by a combination of high levels of public attention and positive emotional responses from stakeholders (Pfarrer et al., 2010; Rindova et al., 2006). Following Pfarrer and colleagues (2010), we coded celebrity as 1 if a firm was high in both public attention, operationalized as the count of media articles about a firm in a given year, and positive emotional resonance, which we determined from a content analysis of the individual articles, and zero otherwise.

To capture celebrity in the emergent markets based on the Internet, we used *Red Herring* − a business magazine focused on technology, innovation, and new ventures that was widely read within the technology industry and the start-up community. We chose *Red Herring* because prior research has shown that specialized industry media are closer to the action in high-technology settings, and are therefore more influential with key stakeholder audiences, such as venture capitalists (Petkova, et al., 2013).[[7]](#footnote-7) Our LexisNexis search generated 6,006 articles that we used for our analysis. We assessed the volume of media coverage based on the total coverage of all the firms in our sample operating during a given year, and created a dummy variable called *high media coverage* that was coded 1 if a firm was in the top quartile of the number of articles about the firm in a given year and 0 otherwise (Pfarrer et al., 2010).

We measured the affective component of celebrity using the Linguistic Inquiry and Word Count (LIWC) 2007 software program (Bednar, 2012; Pennebaker, Francis, & Booth, 2007; Pfarrer et al., 2010; Zavyalova et al., 2012), which counts and categorizes the number of words an article contains using over 80 pre-validated content categories (Pennebaker et al., 2007). We used the positive and negative emotions categories from the LIWC dictionary.[[8]](#footnote-8)

We calculated the positive emotional content of each article as the ratio of positive affective words to total affective words (i.e., the sum of all positive and negative affective words from the LIWC dictionary) because articles may have high levels of both positive and negative words (Pfarrer et al., 2010; Pollock & Rindova, 2003; Zavyalova et al., 2012). We then calculated the mean emotional positivity of all articles about a firm in each year. The mean positivity represents the tenor of the firm’s coverage in a given year.[[9]](#footnote-9) Using these values, we created a dummy variable called *high positive affect* that was coded 1 if the mean positivity of a firm’s coverage was greater than 75% in a given year and 0 otherwise. We employed a fixed cut-off because other approaches resulted in restricted lists of celebrities that lacked face validity. The 75% cut-off was also consistent with prior studies of positive media tenor in nascent Internet markets with similar time frames to ours (Rindova et al., 2007). We explore alternative cut-offs when discussing our robustness tests.

Finally, we created the dummy variable *celebrity*, coded1 if both high media coverage and high positive affect had values of 1 (i.e., the firm received 1s on both dimensions of celebrity) and 0 otherwise (Pfarrer et al., 2010). We coded firms as celebrities if they met these criteria in either the year of their IPO or the year prior to their IPO.[[10]](#footnote-10) This resulted in 78 celebrities, representing 22% of our sample. Examples of celebrity firms included Amazon.com, Yahoo!, CNET, E\*Trade, Pets.com, and VeriSign. Celebrities were distributed almost equally across each level of status (22 celebrities were in the low-status category, 29 were in the moderate-status category, and 27 celebrities were in the high-status category). This distribution and the low correlation between status and celebrity (*r* = 0.10, n.s.) provide evidence of our measures’ discriminant validity.

***Underpricing.*** Underpricing was measured as the percentage change in stock price on the first day the stock was traded on a national exchange multiplied by 100 (Pollock & Rindova, 2003). We used the natural log of this measure to normalize the distribution. Because underpricing can take on negative values, we added .01 to the positive counterpart of the lowest underpricing value observed before transforming the measure (Pollock & Gulati, 2007).

**Control Variables**

***Founder-CEO.*** Prior research has shown founder-CEOs significantly influence post-IPO outcomes (e.g., Certo, Daily, & Dalton, 2001; Fischer & Pollock, 2004; Nelson, 2003). We coded this variable 1 if the CEO was also the founder of the firm during the IPO and zero otherwise.

***Board size.*** The more board members a firm has, the more connections the firm may have to potential audiences (Pfeffer & Salancik, 1978), including alliance partners. We measured board size as the number of board members identified in a company’s prospectus.

***Business type.*** Following prior research on Internet start-ups (Pollock et al., 2009), we controlled for three industry sub-segments in our sample: business-to-business (B2B), business-to-consumer (B2C), and infrastructure companies, using infrastructure as the omitted category.

***IPO year.*** To control for the differences in period effects between the emergence of the Internet (1995-1998), the peak of the Dot-com Bubble (1999), and the bubble’s bursting (2000), we included dummy variables for 1999 and 2000. Firms that went public before 1999 were the omitted group.

***California-based.*** Geographic distance has been shown to affect the likelihood of alliance formations (Reuer & Lahiri, 2014). Given the concentration of dot-com firms and high-status VCs in California, firms headquartered there might have had better access to potential strategic alliance partners. We therefore included a dummy variable coded 1 if the IPO firm was headquartered in California and zero otherwise.

***Number of VC firms.*** Venture capital firms provide a young firm with access to resources (Hallen, 2008; Pollock & Gulati, 2007), including connections to potential alliances partners. We therefore controlled for the number of VC firms that backed each firm.

***IPO free cash flow.*** Few dot-com start-ups were profitable at the time of their IPOs, and many generated little or no revenue. Thus, conventional financial performance metrics such as sales and net income are not informative in this context (Trueman et al., 2000). To assess firms’ financial conditions, we calculated their free cash flow, or the amount of cash generated from operations. We calculated free cash flow as the net change in cash from the year prior to the IPO to the year of the IPO. We collected the data for the year of the IPO from Compustat and the year prior to IPO from the IPO prospectuses. This value was winsorized at the one percent level to control for the effects of outliers. We show results based on a standardized “z-score” transformation of this control variable to ease interpretation.

***Pre-IPO alliances.*** Prior research suggests that firms with more pre-IPO alliances are more inclined to, and are more capable of, forming alliances post-IPO (Pollock & Gulati, 2007). We calculated this measure using the same data sources used to calculate post-IPO alliances.

**Method of Analysis**

Our dependent variable, post-IPO alliances, is a count variable. We therefore used negative binomial regression with robust standard errors for the initial stage of our analysis (Long, 1997). We mean-centered the underpricing variable when calculating our interactions to reduce multicollinearity (Edwards, 2009). Since all of our hypotheses focus on the relative effect sizes of the different predictors, these regression results alone were insufficient for testing our hypotheses method because simple comparisons of coefficients based on our non-linear analysis would be misleading (Long, 1997). Since negative binomial regression lines are nonlinear, the confidence interval for identifying significance varies along the length of the curve. Thus, to test our hypotheses we used comparisons of predicted marginal estimates employing the *mlincom* command in the *spost13* package run in Stata 14 (Long & Freese, 2014). This analysis compares the corresponding discrete change of the estimated effect size for different levels of predictors (Lee & Antonakis, 2014).

**RESULTS**

Table 1 presents the means, standard deviations, and correlations of our variables. The means and standard deviations were calculated using untransformed measures for ease of interpretation. While the correlations in our data are reasonably low, we tested for multicollinearity in our regressions using Variance Inflation Factors (VIF) and the condition number. We used linear regressions to calculate the VIF for each model; the results show that no individual VIF was greater than 3.0, well below the recommended threshold of 10 (Cohen, Cohen, West, & Aiken, 2003). The condition numbers were less than 9, well below the recommended threshold of 30 (Cohen et al., 2003). Thus, multicollinearity is unlikely to be an issue in our analyses.

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Insert Table 1 about here

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As we noted above, because our hypotheses focus on the relative effects of status and celebrity, they cannot be tested by simply examining the significance of the regression coefficients. However, regression models were a required first step to conduct our analyses. Table 2 presents the results of our negative binomial regressions predicting post-IPO alliance formations. Model 1 includes the control variables, Model 2 adds the main effects of our independent variables, Models 3–5 test each interaction separately, and Model 6 presents the fully specified model. Table 2 provides the inputs for the analyses and hypothesis testing that we present in Tables 3 and 4. In each table, we computed the effect sizes for each level of status and celebrity based on the results in Model 6 of Table 2. We calculated the predicted effect size for each condition using the *margins* command in Stata 14 with all other variables held at their mean (for continuous measures) or mode (for discrete measures).

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Insert Table 2 about here

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Hypotheses 1 and 2 predicted that status and celebrity would affect the positive relationship between underpricing and alliance formations in different ways at different levels of underpricing. Hypothesis 1 predicted that status enhances the positive relationship between underpricing and alliance formations more when underpricing was low than when underpricing was high, and Hypothesis 2 predicted that celebrity enhances the positive relationship between underpricing and alliance formations more when underpricing was high than when underpricing was low.

We tested Hypothesis 1 by comparing the framing effect of low and high status at low levels (–1 SD) and high (+1 SD) levels of underpricing. Table 3 presents the results of our tests. The baseline effect of underpricing when status and celebrity are low (status = 0 and celebrity = 0) is 1.50 alliances at low levels of underpricing and 1.78 alliances at high levels of underpricing. It is interesting to note that the difference between these two values is not significant, suggesting that the relationship between underpricing and alliance formations alone, while significant, does not change significantly across low and high levels of underpricing.

The middle column in each side of Table 3 shows the predicted number of alliances when status is high (status = 2). When underpricing is low and status is high, the predicted number of alliance formations increases by 1.49 alliances, from 1.50 alliances to 2.99 alliances, a marginally significant change (*p* < 0.10). When underpricing is high and status is high, the number of alliance formations increases by 3.20 alliances, from 1.78 alliances to 4.89 alliances, which is a statistically significant change (*p* < 0.01). These two values represent the combined direct effect of status and the moderating effect of status on how underpricing is interpreted (the main effect of underpricing is constant and therefore drops out when the difference is taken). The difference between the two change values (3.20 – 1.49) removes the direct effect relationship between status and alliance formations and captures the difference in the effect of status on the relationship between underpricing and alliance formations at high and low levels of underpricing. This is the value that tests Hypothesis 1. This difference (shown in the last column of Table 5) is 1.71 alliances, which is not statistically significant. Thus, although status has a significant main effect on alliance formations, it does not have a significant moderating effect on the relationship between underpricing and alliance formations. Hypothesis 1 therefore is not supported.

We used the same approach to test Hypothesis 2, which argued that celebrity enhances the relationship between underpricing and alliance formations more at high levels of underpricing than at low levels of underpricing. The results in Table 3 show that the combined main effect of celebrity and its effect on the relationship between underpricing and alliance formations was not statistically significant at low levels of underpricing—there is a non-significant decrease of 0.21 alliances (1.29 −1.50 alliances). However, at high levels of underpricing their combined effects resulted in 1.82 more alliances (3.60 – 1.78 alliances), which is a marginally significant effect (*p* < 0.10). The difference between these effects, which removes the direct effect of celebrity and tests how celebrity influences the way underpricing is interpreted, is 2.03 alliances (1.82 – (–0.21) alliances), which is statistically significant (*p* < 0.05). Thus, Hypothesis 2 is supported.

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Insert Table 3 about here

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Hypothesis 3 predicted that high-status firms form more strategic alliances when they are non-celebrities than when they are celebrities. Although in Model 6 of Table 2 the coefficient for the interaction of status and celebrity is statistically significant, we needed to assess whether the relative change in the effect of being a celebrity or not was significant for high-status firms. We calculated the predicted effect size for each condition with all other variables held at their mean or mode. The analysis of these relative effects is shown in Table 4. Specifically, we calculated two effect sizes for high status (status = 2),[[11]](#footnote-11) those without celebrity (celebrity = 0) versus those with celebrity (celebrity = 1). The *Difference* column is the difference between the *No Celebrity* and *Celebrity* columns. Firms that are both celebrities and high status had 1.57 fewer alliances than high-status firms that are not celebrities (2.30 – 3.87 alliances), which is statistically significant (*p* < 0.05). Hypothesis 3 is therefore supported.

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Insert Table 4 about here

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**Robustness Tests**

We conducted several additional analyses to further explore our theory and results and to rule out alternative explanations of our findings.

***Alternative stakeholder audience****.* To assess the generalizability of our findings, we repeated our analysis using analyst coverage as the dependent variable. Analysts evaluate public firms and provide both summary judgments and regular estimates of earnings expectations to their clients, who use this information to make investment decisions (Rao, Greve, & Davis, 2001; Zuckerman, 1999). Given their time and resource constraints as well as their preference to issue positive ratings, analysts are selective about the firms they choose to follow (Rao et al., 2001). However, analysts were also under significant pressure to follow newly-public dot-coms during the period of our study. The ability to provide analyst coverage affected who was selected to lead the lucrative IPOs, and it also led to additional underwriting business (Krigman, Shaw & Womack, 2001). As discussed, the ambiguity of this era led to extreme levels of uncertainty about what these companies were worth. Indeed, since the valuations dot-com firms received were unjustifiable using analysts’ traditional valuation methods, analysts searched for alternative ways to assess their potential (Demers & Lewellen, 2003; Trueman et al., 2000).

We measured analyst coverage as the number of analysts following a firm 12 months after its IPO (Pollock & Gulati, 2007). We collected this data from the Compact Disclosure SEC database. The results of our analyses are included in Appendix A, and show the same pattern of support for our hypotheses that we found using the number of alliance formations. Hypothesis 1 was not supported—the moderating effect of status at low and high levels of underpricing was not significantly different for firms with high-status affiliations. Hypothesis 2 was supported—celebrity did not have a statistically significant moderating effect at low levels of underpricing, but it did have a statistically significant effect at high levels of underpricing, and the difference between these effects was significant. Hypothesis 3 was also supported—the marginal effect of being a high-status celebrity firm was significantly lower than being a high-status non-celebrity firm. This suggests that our findings generalize to stakeholder groups beyond alliance partners.

***Alternative media sources.*** While we expected industry-specific media to be more relevant in our context than the general media (Petkova et al., 2013), we also collected and analyzed general media coverage to test this assumption. Specifically, we collected articles from *Fortune* magazine, a general media outlet with wide readership that publishes more “feature” or profile-style articles (Pfarrer et al., 2010: 1139), using the same process we described above for *Red Herring*. Our search resulted in 4,131 articles. Consistent with our expectations, there were 110 firms in our sample that did not receive coverage in *Fortune*, compared to only 15 in *Red Herring*. The average tenor of the articles from *Fortune* magazine (mean positivity of 71%) was similar to those found in *Red Herring* (mean positivity = 73%).

Using *Fortune* as the primary media source resulted in 50 celebrity firms, 28 fewer than we identified using *Red Herring*. Using the same analyses described above, we retained support for Hypothesis 3, but lost support for Hypothesis 2. We also re-ran our analyses using a combined list of firms identified as celebrities based on either publication, increasing the number of celebrities in our sample to 103. Our results were substantively similar to those found in our primary analyses. We chose to use the *Red Herring*-based measure in our primary analyses because *Fortune* did not provide coverage for almost a third of the firms in our sample (versus about four percent for *Red Herring*).

***Different operationalizations of media tenor.*** In addition to the cutoff (mean positivity of media coverage > 75%) we used to measure the positive affective component of celebrity, we conducted additional analyses that incorporated more permissive and more stringent cut-offs: greater than 70% mean positivity, greater than 80% positivity, and the top quartile of positivity in a given year. When we reduced the cutoff to 70% (that is, we allowed firms that had mean affective content of 70% to be candidates for celebrity), we saw substantively similar results, with Hypothesis 1 also receiving some support (*p* < 0.10). When we increased the cutoff to 80%, the variance in the number of celebrities was greatly reduced. Thirty-nine celebrity firms (50% of the celebrity firms identified) were dropped from the analyses, affecting our support for Hypothesis 2. Using the top quartile of media tenor in a given year similarly reduced the variance in the number of celebrities. These results suggest that we are using a conservative yet valid cut-off (cf. Pfarrer et al., 2010), and that more stringent cut-offs unduly limit the variance in our celebrity measure.

**DISCUSSION**

In this study we set out to extend our understanding of how social approval assets influence market exchanges by focusing on how status and celebrity—two social approval assets with different socio-cognitive content generating different types of approval—serve as interpretative frames for stakeholder audiences. We investigated this argument by examining how status and celebrity interacted with the level of underpricing at the time of a firm’s IPO, as well as with each other.

We found that although status had a direct positive relationship with alliance formations, it did not affect the positive relationship between underpricing and alliance formations. These findings suggest that status may be used by alliance partners primarily as a signal and not as an interpretative frame. Celebrity, in contrast, appeared to function primarily as an interpretive frame that influenced how other information was perceived. Specifically, although celebrity did not have a significant direct effect relationship with alliance formations, it enhanced the positive relationship between high levels of underpricing and alliance formations, amplifying high underpricing’s emotional content. However, it diminished the positive relationship between status and alliance formations, suggesting that status and celebrity may exhibit a degree of incompatibility. These results provide general support for our arguments, and offer a more nuanced understanding of how different types of social approval assets may serve as either signals, or frames.

**Theoretical Contributions**

***Interplay between frames and signals***. In our study status had a clear, positive, direct-effect relationship with alliance formations. This result is consistent with the signaling perspective (Connelly et al., 2011), which posits that high-status affiliations are valuable signals that reduce stakeholders’ perceived uncertainties (Podolny, 2001; Pollock et al., 2010). Prior research has emphasized how high-status actors’ superior access to information and willingness to put their status at risk reduces information asymmetries (e.g., Connelly et al., 2011; Spence, 1974, Stuart et al., 1999). However, this explanation assumes there is private information about the firm’s future potential that high-status affiliates can access. Our context is characterized by pervasive ambiguity about technologies, business models, and market demands (Hendershott, 2004; Sine et al., 2006), making it unclear that any of the actors had “quality” private information that it could disclose to reduce uncertainty (Trueman et al., 2000). An alternative explanation might be that the analytical information processing stimulated by high-status affiliations created an increased sense of certainty, even if the stakeholders did not really “know” any more based on the high-status affiliations, that had a direct effect on potential alliance partners’ decision making (Heath & Tversky, 1991). While speculative, this suggests another possible mechanism through which signals can affect perceived uncertainty, and which future research should explore.

Our results also suggest that celebrity serves as an interpretive frame affecting how other information is perceived. We focused specifically on underpricing because it has both analytical and emotional components, making it at best an ambiguous signal. Our results showed that while status had a positive relationship with alliance formations at low and high levels of underpricing, it did not significantly influence how underpricing was interpreted. In contrast, whereas celebrity did not have a significant influence at low levels of underpricing, where there was little affective socio-cognitive content, it significantly enhanced the emotional content of high levels of underpricing, increasing the positive relationship between underpricing and alliance formations when underpricing was high. Our results support Pfarrer and colleagues’ (2010) claim that celebrity creates value by enhancing the positive emotional elements of other information, and demonstrate that celebrity can increase a firm’s access to resources.

In contrast to its effects on underpricing, celebrity reduced, rather than enhanced the positive signaling effect of status on alliance formations. We argued that celebrity focused attention on celebrities’ non-conforming behaviors and the positive emotional responses they generate (Heckert & Heckert, 2002; Rindova et al., 2006), and that this focus may undermine the signaling value of high-status affiliations with VCs and underwriters. It is also possible that possessing both celebrity and status may increase concerns that an IPO firm will have a greater ability to capture more of the value created in an alliance, making the alliance less desirable to potential partners, and reducing the number of alliances formed.

In addition to highlighting how social approval assets may function differently as signals and interpretative frames, our results, when considered along with those of Plummer and colleagues (Plummer, Allison, and Connelly, 2016) provide an important insight into how affective and analytical processes interact. In their study of how nascent firms obtain outside funding, Plummer and colleagues (2016) found that affiliating with a venture development organization (VDO) clarified the otherwise uncertain signaling value of other nascent firm characteristics, such as renting commercial office space and introducing a product, and increased their effects on the likelihood that a nascent firm received outside funding. The VDO affiliation they studied involved the same analytical processing as the firm characteristics being interpreted, and facilitated the interpretation of the otherwise ambiguous signals, just as celebrity enhanced the emotional information content conveyed by high levels of underpricing. In contrast, when the interpretive frame and the signal involve different socio-cognitive content, as with celebrity and status, the difference may interfere with the interpretation of the signal, diminishing its value for reducing uncertainty.

Thus, for a social approval asset to act as an interpretive frame that enhances how signals are assessed, the signal and the frame need to be congruent. Put differently, to understand how social approval assets create value, we need account for their analytical and affective socio-cognitive content and to understand how they interact. Future research should continue to explore how differences in the socio-cognitive content of social approval assets affects their distinctive and combined effects.

***Implications for research on underpricing***. Our findings also have interesting implications for research on underpricing, which has proffered a variety of arguments based on analytical information processing and information asymmetries to explain this phenomenon (Daily, Certo, Dalton, & Roengpitya, 2003; Ibbotson & Ritter, 1995). Our results suggest that the analytical component of underpricing is relatively constant across levels of underpricing, while high levels of underpricing may largely be driven by emotional factors. Thus, high levels of underpricing may reflect more emotion than uncertainty, and the influence of this emotional behavior on other stakeholders can be reinforced by affective-laden frames, such as celebrity. Future research should continue to explore how the information derived from different levels of underpricing may be reinforced by both the interpretative frames available for interpreting them.

***Importance of different stakeholders***. Finally, our study expands research on the influence of social approval assets by considering stakeholders other than investors, and by considering longer periods of time than the one- to three-day movements in stock price typically explored in prior studies. Considering other stakeholders besides investors is important, because these are the actors that provide firms, particularly new firms, with the resources necessary to compete and grow. They have different interests than investors, and ultimately are making larger and more consequential decisions for their own competitiveness than investors, who can quickly buy and sell shares of stock. Further, the short time frames for decision making considered in most prior research (e.g., Carter & Manaster, 1990; Pfarrer et al., 2010) may also affect the relative influence of and time for analytical and affective information processing, and thus the way different social approval assets affect decision making. Future research should explicitly take the time available for evaluation and decision making into account in theorizing about the value of social approval assets in different contexts.

**Implications for Practice**

Our results also have implications for managers. They suggest that developing relationships with high-status actors is a more productive use of a newly public firm’s limited time and resources than pursuing celebrity in the media. Further, if a firm possesses high-status affiliations, it may want to be cautious about courting celebrity, as celebrity can create ambiguity that degrades the value of these affiliations. However, if there is substantial positive emotion about the firm in the market, celebrity can be helpful in leveraging the positive emotional tide to garner more resources and opportunities.

**Limitations and Future Research Directions**

Like all research, our study has limitations. Although our sample offers a number of benefits for studying the effects of status and celebrity, it consists of only high-tech firms in a unique, ambiguity-ridden context—the Dot-Com Era. Several other studies have used a similar sample and time frame to explore theoretical issues that are more difficult to study in other contexts (e.g., Aggarwal et al., 2002; Demers & Lewellen, 2003; Krigman et al., 2001; Pollock et al., 2009; Pollock & Gulati, 2007; Reuer, Tong, & Wu, 2012; Rindova et al., 2010). The importance of interpretation in this context enabled us to focus on social approval assets as interpretative frames, rather than just as signals. Classical signaling theory assumes signals are both readily observable and interpretable. Adopting a social information processing perspective challenges these assumptions and raises questions about the frames through which signals are interpreted. Additional systematic investigation of interpretive frames, and especially the role of social approval assets as accumulated perceptions and interpretations, is needed.

Another limitation of our study is that our data are cross-sectional. Thus, we could not look at changes in firm status and celebrity or their effects on analyst coverage and alliance formations over time. Our data are also archival; thus we could not measure these processes directly, and could only infer how potential alliance partners and analysts interpreted and used status and celebrity. Future research using other methods such as lab studies or policy capturing that more directly test stakeholders’ psychological reactions to specific interpretive frames amid high uncertainty (Gerloff, Muir, & Bodensteiner, 1991) could triangulate on and extend our understanding of the relationships identified here.

A third potential limitation has to do with our choice of media tenor measure. Tenor has been operationalized several different ways, including as the Janis-Fadner (JF) coefficient of imbalance (Deephouse, 2000; Pollock & Rindova, 2003). Despite its use in organizational studies, there were two reasons we did not use the JF coefficient. First, in our context the media were highly positive (only 235 out of 6,006 articles, or 3.9%, had more negative than positive emotion words). The JF coefficient weights positive and negative coverage equally, which would have likely led to biased outcomes in our sample (Fiske & Taylor, 2008; Zavyalova et al., 2012). Second, the JF coefficient is less reflective of a firm’s overall tenor when the volume of media coverage varies greatly across firms (Zavyalova et al., 2012). For example, a firm with only two positive articles written about it would have a higher JF coefficient than one with nine positive articles and 1 negative article in given year. We also chose not to use another alternative, the difference between positive and negative articles (Zavyalova et al., 2012), because this measure conflates positive emotional resonance with the volume of tenor, the other dimension of celebrity. Future research could explore how different tenor measures reflect a study’s context and underlying research questions.

Finally, while we considered the status of VCs and underwriters that affiliated with the firms in our sample, some of these VCs and underwriters also became celebrities. Capturing their celebrity and exploring its effects on strategic alliance formations is beyond the scope of our study. However, exploring the influence of affiliating with celebrity firms is an interesting avenue for future research.

**Conclusion**

Social approval assets such as status and celebrity play important roles in how information is interpreted and assessed. This study expands our understanding of the complexities of this process by demonstrating that different social approval assets create value by influencing stakeholder interpretations in different ways. Future research should continue to explore the extent to which social approval assets create value as signals and/or interpretive frames, and how both analytical reasoning and emotional reactions combine to influence the way we make sense of uncertain and ambiguous information.

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**TABLE 1**

**Summary Statistics and Correlations**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Variable | Mean | SD | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
| 1. | Post-IPO Alliances | 2.50 | 4.57 |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 2. | Status | 0.91 | 0.77 | 0.26 |  |  |  |  |  |  |  |  |  |  |  |  |
| 3. | Celebrity | 0.22 | 0.41 | 0.14 | 0.11 |  |  |  |  |  |  |  |  |  |  |  |
| 4. | Underpricing | 0.81 | 0.98 | 0.21 | 0.30 | 0.10 |  |  |  |  |  |  |  |  |  |  |
| 5. | Founder-CEO | 0.51 | 0.50 | –0.06 | –0.08 | –0.19 | –0.03 |  |  |  |  |  |  |  |  |  |
| 6. | Board Size | 6.18 | 2.04 | –0.01 | –0.01 | 0.00 | 0.03 | –0.13 |  |  |  |  |  |  |  |  |
| 7. | Business-to-Business | 0.53 | 0.50 | 0.08 | 0.07 | 0.04 | 0.11 | 0.02 | –0.10 |  |  |  |  |  |  |  |
| 8. | Business-to-Consumer | 0.29 | 0.46 | –0.04 | –0.06 | 0.05 | –0.14 | 0.00 | 0.13 | –0.68 |  |  |  |  |  |  |
| 9. | IPO 1999 | 0.59 | 0.49 | 0.13 | –0.04 | 0.07 | 0.11 | 0.00 | 0.02 | –0.08 | 0.08 |  |  |  |  |  |
| 10. | IPO 2000 | 0.20 | 0.40 | –0.18 | 0.10 | –0.20 | 0.00 | 0.03 | 0.17 | 0.13 | –0.14 | –0.60 |  |  |  |  |
| 11. | California-based | 0.45 | 0.50 | 0.12 | 0.30 | 0.07 | 0.13 | –0.14 | 0.10 | 0.06 | –0.05 | –0.03 | 0.03 |  |  |  |
| 12. | Number of VC firms | 2.04 | 1.67 | 0.10 | 0.21 | 0.03 | 0.21 | 0.02 | 0.11 | 0.04 | –0.05 | 0.14 | 0.04 | 0.14 |  |  |
| 13. | IPO Free Cash Flow | 48.96 | 92.40 | 0.15 | 0.21 | 0.08 | 0.19 | –0.03 | 0.10 | –0.01 | –0.05 | 0.13 | –0.05 | 0.00 | 0.03 |  |
| 14. | Pre-IPO Alliances | 5.29 | 7.10 | 0.24 | 0.27 | 0.09 | 0.14 | 0.03 | 0.19 | 0.03 | –0.01 | –0.01 | 0.14 | 0.21 | 0.10 | 0.04 |

n = 359; correlation coefficients greater than 0.11 are significant at the 5% level and those greater than 0.14 are significant at the 1% level.

**TABLE 2**

**Negative Binomial Regression Predicting Post-IPO Alliances**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| Founder-CEO | –0.12 | –0.07 | –0.06 | –0.09 | –0.04 | –0.04 |
|  | (0.16) | (0.15) | (0.15) | (0.15) | (0.15) | (0.15) |
| Board size | –0.01 | 0.03 | 0.03 | 0.03 | 0.03 | 0.03 |
|  | (0.05) | (0.05) | (0.05) | (0.05) | (0.05) | (0.05) |
| Business-to-Business | 0.37 | 0.33 | 0.34 | 0.33 | 0.35† | 0.37† |
|  | (0.22) | (0.21) | (0.22) | (0.21) | (0.21) | (0.21) |
| Business-to-Consumer | 0.14 | 0.15 | 0.16 | 0.15 | 0.15 | 0.19 |
|  | (0.24) | (0.23) | (0.23) | (0.23) | (0.23) | (0.22) |
| IPO 1999 | –0.09 | –0.16 | –0.16 | –0.21 | –0.15 | –0.22 |
|  | (0.20) | (0.19) | (0.19) | (0.20) | (0.20) | (0.20) |
| IPO 2000 | –1.44\*\* | –1.55\*\* | –1.55\*\* | –1.59\*\* | –1.56\*\* | –1.61\*\* |
|  | (0.27) | (0.26) | (0.26) | (0.25) | (0.27) | (0.26) |
| California-based | 0.27† | 0.07 | 0.06 | 0.06 | 0.09 | 0.08 |
|  | (0.16) | (0.15) | (0.15) | (0.15) | (0.15) | (0.14) |
| Number of VC firms | 0.06 | 0.02 | 0.02 | 0.03 | 0.01 | 0.02 |
|  | (0.05) | (0.05) | (0.05) | (0.05) | (0.05) | (0.05) |
| IPO free cash flow | 0.18† | 0.06 | 0.06 | 0.05 | 0.07† | 0.06† |
|  | (0.09) | (0.04) | (0.04) | (0.04) | (0.04) | (0.03) |
| Pre-IPO alliances | 0.04\*\* | 0.03\*\* | 0.03\*\* | 0.03\*\* | 0.03\*\* | 0.03\*\* |
|  | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |
| Status |  | 0.36\*\* | 0.35\*\* | 0.35\*\* | 0.40\*\* | 0.43\*\* |
|  |  | (0.10) | (0.10) | (0.10) | (0.11) | (0.11) |
| Celebrity |  | –0.00 | –0.01 | –0.11 | 0.20 | 0.28 |
|  |  | (0.17) | (0.17) | (0.18) | (0.27) | (0.26) |
| Underpricing |  | 0.34\*\* | 0.24 | 0.25\* | 0.34\*\* | 0.11 |
|  |  | (0.10) | (0.15) | (0.11) | (0.10) | (0.15) |
| Underpricing x Status |  |  | 0.10 |  |  | 0.11 |
|  |  |  | (0.12) |  |  | (0.12) |
| Underpricing x Celebrity |  |  |  | 0.43† |  | 0.57\* |
|  |  |  |  | (0.23) |  | (0.23) |
| Celebrity x Status |  |  |  |  | –0.19 | –0.40\* |
|  |  |  |  |  | (0.21) | (0.21) |
| Constant | 0.43 | 0.10 | 0.08 | 0.15 | 0.01 | –0.01 |
|  | (0.41) | (0.39) | (0.39) | (0.38) | (0.38) | (0.37) |
| Pseudo Log-likelihood | –662.35 | –648.51 | –648.21 | –647.01 | –648.05 | –645.16 |

n= 347; robust standard errors in parentheses.

† *p* < .10

\* *p* < .05

\*\* *p* < .01; two-tailed tests

**TABLE 3**

**Comparison of Effects of Underpricing on Post-IPO Alliance Formations**

**Conditioned on Status and Celebrity**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Low Underpricing (–1 s.d.) | | |  | High Underpricing (+1 s.d.) | | |  | Difference in Changes |
|  | Low | High | Change |  | Low | High | Change |  |
| Status (H1) | 1.50 | 2.99 | 1.49† |  | 1.78 | 4.98 | 3.20\*\* |  | 1.71 |
| Celebrity (H2) | 1.50 | 1.29 | -0.21 |  | 1.78 | 3.60 | 1.82† |  | 2.03\* |

Differences based on all other variables held at either their means or their modes (for non-continuous measures).

† *p* < .10, \* *p* < .05, \*\* *p* < .01

**TABLE 4**

**Comparison of Effect Sizes for Status Conditioned On Celebrity**

**for Post-IPO Alliance Formations**

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | No Celebrity | Celebrity | Difference |
| Low Status | 1.64 | 2.18 | 0.54 |
| High Status (H3) | 3.87 | 2.30 | –1.57\* |

Differences based on all other variables held at either their means

or their modes (for non-continuous measures).

† *p* < .10, \* *p* < .05, \*\* *p* < .01

**APPENDIX A**

**Assessing Analyst Coverage**

In this appendix, we provide the tables and figures for analyst coverage. After accounting for missing data, the final sample included 328 firms with no differences in our initial and final sample across salient dimensions such as celebrity and status.

**TABLE A1**

**Negative Binomial Regression Predicting Analyst Coverage**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| Founder-CEO | –0.06 | 0.04 | 0.03 | 0.03 | 0.05 | 0.04 |
|  | (0.09) | (0.08) | (0.08) | (0.08) | (0.08) | (0.08) |
| Board size | –0.01 | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
|  | (0.03) | (0.02) | (0.02) | (0.02) | (0.02) | (0.02) |
| Business-to-Business | 0.21† | 0.12 | 0.12 | 0.12 | 0.12 | 0.13 |
|  | (0.12) | (0.11) | (0.11) | (0.11) | (0.11) | (0.11) |
| Business-to-Consumer | –0.06 | –0.10 | –0.11 | –0.10 | –0.11 | –0.11 |
|  | (0.13) | (0.12) | (0.12) | (0.12) | (0.12) | (0.12) |
| IPO 1999 | 0.12 | 0.07 | 0.07 | 0.06 | 0.10 | 0.07 |
|  | (0.11) | (0.10) | (0.11) | (0.11) | (0.10) | (0.11) |
| IPO 2000 | –0.29\* | –0.36\*\* | –0.36\*\* | –0.37\*\* | –0.36\*\* | –0.37\*\* |
|  | (0.14) | (0.13) | (0.13) | (0.13) | (0.13) | (0.13) |
| California-based | 0.09 | –0.10 | –0.09 | –0.09 | –0.09 | –0.08 |
|  | (0.09) | (0.08) | (0.08) | (0.08) | (0.08) | (0.08) |
| Number of VC firms | 0.02 | –0.02 | –0.02 | –0.02 | –0.02 | –0.02 |
|  | (0.03) | (0.03) | (0.03) | (0.03) | (0.03) | (0.03) |
| IPO free cash flow | 0.22 | 0.05 | 0.05 | 0.05 | 0.05 | 0.05 |
|  | (0.14) | (0.12) | (0.12) | (0.12) | (0.11) | (0.11) |
| Pre-IPO alliances | 0.01† | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
|  | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) | (0.01) |
| Status |  | 0.35\*\* | 0.36\*\* | 0.35\*\* | 0.41\*\* | 0.41\*\* |
|  |  | (0.06) | (0.06) | (0.06) | (0.06) | (0.06) |
| Celebrity |  | 0.03 | 0.03 | 0.00 | 0.26 | 0.25 |
|  |  | (0.10) | (0.10) | (0.10) | (0.17) | (0.16) |
| Underpricing |  | 0.33\*\* | 0.37\*\* | 0.31\*\* | 0.34\*\* | 0.32\*\* |
|  |  | (0.06) | (0.10) | (0.06) | (0.06) | (0.09) |
| Underpricing x Status |  |  | –0.04 |  |  | –0.03 |
|  |  |  | (0.07) |  |  | (0.07) |
| Underpricing x Celebrity |  |  |  | 0.09 |  | 0.17 |
|  |  |  |  | (0.15) |  | (0.15) |
| Celebrity x Status |  |  |  |  | –0.21† | –0.25\* |
|  |  |  |  |  | (0.12) | (0.12) |
| Constant | 1.38\*\* | 1.12\*\* | 1.13\*\* | 1.13\*\* | 1.06\*\* | 1.07\*\* |
|  | (0.19) | (0.18) | (0.18) | (0.18) | (0.18) | (0.18) |
| Pseudo Log-likelihood | –845.55 | –811.53 | –811.40 | –811.32 | –810.04 | –809.30 |

n= 328; robust standard errors in parentheses.

† *p* < .10

\* *p* < .05

\*\* *p* < .01; two-tailed tests

**TABLE A2**

**Comparison Effects of Underpricing on Analyst Coverage**

**Conditioned on Status and Celebrity**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Low Underpricing (–1 s.d.) | | |  | High Underpricing (+1 s.d.) | | |  | Difference in Effects |
|  | Low | High | Change |  | Low | High | Change |  |
| Status (H1) | 3.00 | 7.12 | 4.12\*\* |  | 4.87 | 10.67 | 5.80\*\* |  | 1.68 |
| Celebrity (H2) | 3.00 | 3.39 | 0.39 |  | 4.87 | 7.15 | 2.28† |  | 1.88† |

Differences based on all other variables held at either their means or their modes (for non-continuous measures).

† *p* < .10, \* *p* < .05, \*\* *p* < .01

**TABLE A3**

**Comparison of Effect Sizes for Status**

**Conditioned on Celebrity for Analyst Coverage**

|  |  |  |  |
| --- | --- | --- | --- |
| Variable | No Celebrity | Celebrity | Difference |
| Low Status | 3.87 | 5.02 | 1.15 |
| High Status (H3) | 8.81 | 6.97 | –1.84† |

Differences based on all other variables held at either their means or

their modes (for non-continuous measures).

† *p* < .10, \* *p* < .05, \*\* *p* < .01

1. We use the term “ambiguity” to describe our research context because it was unclear what the range of relevant firm and industry characteristics necessary for success were, and “uncertainty” to describe actors’ concerns about specific issues, such as whether or not to form a strategic alliance. [↑](#footnote-ref-1)
2. We do not attempt to empirically determine a specific IPO firm’s standing among all other firms, or more generally, within a market. When we refer to an IPO firm as “high-status,” we mean that it has established affiliations with other actors who are prominent within their own domains. In particular, we focus on their ties to venture capitalists and underwriters since these relationships are consistently reported and widely-observable, and status measures for these actors are generally available (Carter, Dark & Singh, 1998; Lee, Pollock, & Jin, 2011). [↑](#footnote-ref-2)
3. Affect is defined as “goodness” or “badness” (1) experienced as a feeling state (with or without consciousness) and (2) demarcating a positive or negative quality of a specific stimulus” (Finucane, Peters & Slovic, 2003: 328). We prefer this term because as Finucane and colleagues note, like emotion and mood, affect can vary in valence and intensity, but unlike these other constructs, it can be subtle and does not require elaborate appraisal properties, while directly (rather than indirectly) affecting motivation. [↑](#footnote-ref-3)
4. Although Pollock and Gulati (2007) reported the average level of underpricing during this period was 76%, they also noted that underpricing ranged from -43% to 605% in their sample. Thus, there was substantial variation in underpricing across firms. [↑](#footnote-ref-4)
5. Carter and Manaster (1990) originally referred to this measure as underwriter “reputation.” However, as others have noted (e.g., Acharya & Pollock, 2013, Podolny, 1993, Pollock et al., 2010) an investment bank’s position in a tombstone announcement reflects its relative standing in a social hierarchy; thus, measures based on tombstones are more accurately characterized as status measures, not reputation measures. [↑](#footnote-ref-5)
6. Our results are substantively the same if we dichotomize this measure, coding a firm as high status if it is affiliated with both high-status venture capitalists and underwriters and low status otherwise (i.e., if it is affiliated with one or the other, or neither). [↑](#footnote-ref-6)
7. Weconsider the effects using the general media, as well as a combination of the two, in our robustness tests. [↑](#footnote-ref-7)
8. Please refer to http://www.liwc.net for additional information on the validity of the LIWC dictionaries. [↑](#footnote-ref-8)
9. Other studies have used similar measures of media tenor, including the Janis-Fadner (JF) coefficient of imbalance (Deephouse, 2000; Janis & Fadner, 1965; Pfarrer et al., 2010). We address why these alternative measures are inappropriate for our study in the Discussion. [↑](#footnote-ref-9)
10. We use both the year prior and the year of the IPO for two reasons. First, consistent with past theory and empirical findings (Pfarrer et al., 2010: Rindova et al., 2006), using only one or the other severely limited the variance in this measure, making statistical inferences difficult as firms were rarely coded as celebrities two years in a row. Second, alliance negotiations may have started in the year prior to the IPO year and culminated after the firm went public, or started and been culminated in the year a firm went public. We consider the implications of this decision in the Discussion. [↑](#footnote-ref-10)
11. While not hypothesized, the results for low status are also shown in Table 4 for comparison. [↑](#footnote-ref-11)