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A Bridge Too Far: Divestiture as a Strategic Reaction to Status Inconsistency

Pengfei Wang,[a] **Michael Jensen**[b]

[a] Department of Strategy and Entrepreneurship, BI Norwegian Business School, 0484 Oslo, Norway; [b] Stephen M. Ross School of Business, University of Michigan, Ann Arbor, Michigan 48109

Contact: pengfei.wang@bi.no, http://orcid.org/0000-0002-5594-5787 (PW); michjen@umich.edu, http://orcid.org/0000-0001-9084-1361 (MJ)

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Abstract. This study focuses on the market identities of firms and suggests that identity ambiguity is caused not only by bridging horizontal product categories but also by status inconsistency stemming from bridging vertical status categories. Focusing specifically on how firms reduce status inconsistency by restructuring their business portfolios, we argue that status inconsistency motivates firms to divest business units to present a more coherent vertical market identity. Emphasizing the interplay between horizontal and vertical identity ambiguity, we argue furthermore that status-inconsistent units that are related to the core business units within a firm are more likely to be divested. Using a comprehensive sample of publicly traded U.S. firms from 1998 to 2014, we report that status inconsistency increases the likelihood of divestiture that decreases status inconsistency, particularly for high-status firms. Moreover, although status-inconsistent units are generally more likely to be divested, this effect is stronger for core business units.

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Keywords: status • status inconsistency • identity • diversification • divestiture

1. Introduction

The market identity of an organization refers to its membership in the social categories that specify what to expect from the organization (Jensen and Kim 2014). Focusing on bridging different market identities, some research suggests that ambiguous identities are penalized (Zuckerman 1999, Hsu et al. 2009, Leung and Sharkey 2013), whereas other research suggests that they can be beneficial (Jensen and Kim 2014, Pontikes 2012). Whether theses identities be penalized or beneficial, most research on ambiguous identities shares a definition of market identities that emphasizes memberships in horizontal categories such as industry categories, film genres, or hedge funds (Zuckerman 1999, Hsu 2006, Smith 2011). Defining market identities exclusively in terms of horizontal categories neglects, however, the importance of status stratification expressed in vertical categories (Jensen et al. 2011). By focusing on how firms seek to both increase their overall status and reduce status inconsistency, we shift attention from horizontal identity ambiguity to also considering vertical identity ambiguity. We examine specifically how firms respond to status inconsistency stemming from their business units occupying different status positions by selectively divesting business units, in order to both ensure a coherent vertical market identity and increase their overall status. We thus complement research on divestments as a response to horizontal identity ambiguity (Zuckerman 2000).[1]

Diversified firms operating in different markets or industries are often challenged to present clear and understandable identities to external audiences, thus suggesting that market identity ambiguity adds to the negative consequences of diversification (Wan et al. 2011, Berger and Ofek 1999). Because external audiences find it more difficult to make sense of the identity of horizontally diversified firms, horizontally diversified firms risk losing legitimacy and appeal in the market (Zuckerman 1999). Although prior research recognizes that diversification can result in horizontal identity ambiguity, it neglects that diversification can also result in vertical identity ambiguity (Phillips et al. 2013). Specifically, diversification not only results in firms bridging different industry categories, it can also lead to firms bridging different status positions between industries (Jensen et al. 2011). When the business units of diversified firms are status consistent, the vertical identities of the diversified firms are less ambiguous, which makes them easier for external audiences to understand and value. By contrast, when the business units of diversified firms are status inconsistent, their vertical market identities are more ambiguous, which makes them harder to understand and value. We argue, in other words, that status inconsistency can contribute to the devaluation of horizontally diversified firms by increasing the ambiguousness of their vertical market identities.

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Most research on status inconsistency in organizations focuses on the negative performance consequences of status inconsistency (Zhao and Zhou 2011, Jensen and Wang 2018). We emphasize instead the strategic actions firms take to simultaneously increase their overall status and reduce status inconsistency in their business unit portfolios, thus moving beyond establishing that status inconsistency is a problem to examining how firms respond to status inconsistency. We argue specifically that firms respond to status inconsistency by selectively divesting business units to decrease status inconsistency to make it easier for external audiences to make sense of their vertical market identity while also being mindful of their overall status position. We focus on divestitures because divestitures represent a major strategic initiative firms undertake to restructure their business portfolios and simplify their market identity (Zuckerman 2000). While most research on the antecedents of divestitures focuses on the performance of firms and business units (Duhaime and Grant 1984, Shimizu and Hitt 2005) and the horizontal relatedness of business units (Bergh 1997), the importance of status inconsistency and vertical market identity as an antecedent of divestitures has received less attention. By focusing on status inconsistency and the desire to present external audiences with an unambiguous market identity, our study adds to divestiture research by showing that status inconsistency can lead diversified firms to selectively divest business units.

Although status inconsistency affects the market identity of all firms, high-status and low-status firms are likely to respond to status inconsistency differently.[2] We argue specifically that high-status firms are particularly anxious about status inconsistency leading external audiences to devalue them because their positions at the top of the hierarchy is disproportionally beneficial (Jensen 2006, Sørensen 1996).[3] Low-status firms are, in contrast, less concerned about status inconsistency because they do not benefit as much from the status hierarchy (Phillips and Zuckerman 2001), and they face a difficult trade-off between reducing status inconsistency by divesting high-status business units and seeking higher overall status through their high-status business units. Specifically, low-status firms may benefit from a few high-status business units in terms of their overall status (Podolny 1994) even if most of their business units do not occupy high-status positions, thus making low-status firms less likely to divest their high-status units to reduce status inconsistency. In addition to having fewer status advantages to lose because of identity ambiguity, low-status firms are also less likely to be sanctioned for identity ambiguity because they typically attract less market attention. We expect, in other words, an inverse Matthew effect (Merton 1968, Jensen 2006, Bothner et al. 2011): the more you have, the more status inconsistency can take away. Status inconsistency is therefore more likely to lead to divestitures for high-status firms than for low-status firms.

Distinguishing between status inconsistency and industry spanning as sources of market identity ambiguity, we nevertheless emphasize how they interact to jointly shape how external audiences assess and evaluate firms. Because the business units in diversified firms participate in horizontal industry categories and vertical status categories simultaneously (Jensen et al. 2011), it is important to consider both the horizontal industry categories and vertical status categories when making decisions about what business units to divest. Specifically, we argue that status-inconsistent units are more likely to be divested if they are horizontally related to the core businesses of a firm, whereas status-inconsistent units are less likely to be divested if they are horizontally unrelated to the core businesses. Horizontally unrelated business units are less likely to be divested because they are less likely to challenge and create ambiguity around the vertical identity of the core business units within a firm, thus suggesting that it is easier for firms to accept status inconsistency if the inconsistency stems from more peripheral business units.

2. Status Inconsistency in Diversified Firms

Status refers to the hierarchical position an actor occupies in a social system (Gould 2002, Jensen and Roy 2008). Status is an important aspect of market identity that shapes external expectations to firms (Jensen et al. 2011) and internal resource allocations (Salancik and Pfeffer 1974). The advantages (and disadvantages) of status for individuals (Simcoe and Waguespack 2011, Azoulay et al. 2014) and firms (Podolny 1994, Benjamin and Podolny 1999) are well established (see Piazza and Castellucci 2014 for a review). Individuals and firms seek therefore to protect and increase their status by entering status-conferring relationships (Stuart et al. 1999) and avoiding status-threatening relationships (Jensen 2006). Most status research focuses on "focused" firms that participate in a single market or industry and therefore occupy a single status position only (Podolny 1993, Ozmel et al. 2013). Many firms diversify and participate in multiple markets, segments, or industries, however, which suggests that they could occupy several differently ranked statuses simultaneously. Whether diversified firms participate in different geographic markets or different product markets, status inconsistency refers to the extent to which the different business units within a firm occupy differently ranked status positions. A bank holding company with unequally ranked commercial banking and investment banking businesses (Jensen 2003) or a

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business school with unequally ranked strategy and accounting departments (Jensen and Wang 2018) are examples of status-inconsistent organizations.

Firms may become status inconsistent for different reasons (Jensen and Wang 2018). First, a firm can become status inconsistent if it creates a new business unit because new business units are typically lower status compared to already existing business units. When U.S. commercial banks opened investment banking units following deregulation in the 1990s, for example, the investment banking units were typically lower status than their existing commercial banking units, thus creating status inconsistency within the bank holding company (Jensen 2003). Second, a firm can become status inconsistent if it acquires a new business units that is higher or lower status than its current business units or if it divests a status consistent unit. When Chinese Geely acquired Swedish luxury auto unit Volvo from American Ford in 2010, Geely became more status inconsistent because the status of its Volvo unit was higher than its Chinese auto units. Third, a firm can become status inconsistent if the status of its different business units changes at different rates. If each business unit invests differently in product quality, status inconsistency emerges more gradually, whereas status inconsistency occurs more abruptly if a business unit creates a sudden technological breakthrough. Finally, a firm can become status inconsistent if its business units grow at substantively different rates. If the low-status units of a diversified firm are small compared to the high-status units, thus accounting for a small share of the firm, status inconsistency is less important for the firm. If the low-status units grow substantively in sales, however, thus accounting for a larger share of the firm, status inconsistency becomes more important for the firm.

Regardless of the source of status inconsistency, status inconsistency creates identity ambiguity, which undermines the status claims made by status-inconsistent firms (Zhao and Zhou 2011) and makes it difficult for external audiences such as security analysts and equity investors to evaluate them (Jensen et al. 2011). Analysts and investors are particular important examples of external audiences that attend to all of the different business units of a firm to provide comprehensive evaluations of the firm and influence corporate restructuring decisions (Zuckerman 1999, 2000). Most other external audiences such as buyers and suppliers interact with a single business unit only and are therefore less likely to attend to the status of all of the business units in a firm. They may nevertheless still consider the broad set of activities in which a firm is engaged and devalue firms that miss expectations about status consistency. Diversifying into family and personal injury law, for example, has no direct effect on the ability of a corporate law firm to serve its corporate clients; these clients nevertheless still care about diversification into family and personal injury law (Phillips and Zuckerman 2001, Phillips et al. 2013). Whether status positions inform external audiences about the level of quality to expect from a firm (Podolny 1993) or the types of activities in which a firm may or may not be expected to engage (Phillips et al. 2013), occupying unequally ranked status positions likely results in an ambiguous vertical identity and, therefore, devaluation. We argue next that diversified firms, in particular high-status diversified firms, are likely to respond to status inconsistency by divesting select business units.

3. Status Inconsistency and Business Unit Divestiture

Status inconsistency is more likely to motivate high-status firms than low-status firms to divest business units because identity ambiguity is particularly costly for high-status firms (Marr and Thau 2014). Because status functions as a signal of quality and status distinctions are more meaningful at the top of the hierarchy, status reduces transaction costs (Podolny 1993) and increases product prices (Benjamin and Podolny 1999), for example, more for high-status than for low-status firms. Moreover, most media attention focuses on the top of the hierarchy (Pollock and Rindova 2003), which means that the firms at the top are more widely known and easily distinguishable than the firms at the bottom. The attention granted to high-status individuals and firms increases the perceived differences in quality among them (the difference between number one and number two is symbolically important but mostly practically meaningless) even if the actual differences in quality do not warrant such differences (Bothner et al. 2007, Jensen and Kim 2015). Similarly, status boundaries such as those distinguishing the Bulge Bracket investment banks (Podolny 1994) or the Big Four accounting firms (Jensen and Roy 2008) are often attributed more importance than the actual differences in quality on each side of a boundary. Although high-status firms may have some leeway to deviate from certain status-based role expectations, they cannot deviate in a way that create doubt or ambiguity about their high status (Phillips and Zuckerman 2001, Jensen et al. 2011).

Low-status firms are, in contrast, less likely to divest to reduce status inconsistency because they seek not only to reduce status inconsistency but also to increase their overall status. For low-status firms, status inconsistency implies that there is a single (or a few) high-status unit that is of a higher status than the other low-status units. The simplest way to reduce status inconsistency for a low-status firm would be to divest its high-status business units. Divesting high-status units may not be desirable or possible, however, because the high-status units benefit the other

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low-status units within the firm through positive status leakages (Podolny and Phillips 1996, Podolny 2005) and because they are often more powerful than the other units (Salancik and Pfeffer 1974, Cowen 2012, Shen et al. 2014). Although divesting high-status units reduce status inconsistency for low-status firms, it also decreases their overall status, and it is likely to be resisted by the powerful high-status units, thus reducing the likelihood that low-status firms divest business units to reduce status inconsistency. For high-status firms, status inconsistency implies that there is a single (or a few) unit that is of a lower status than the other high-status units. By divesting low-status business units, high-status firms both reduce identity ambiguity induced by status inconsistency and decrease negative status leakages from high-status to low-status units, thus protecting and even increasing the status of the firms themselves and the status of their high-status units.

External audiences may not only find it more difficult to evaluate status-inconsistent firms, they may also doubt the ability of status-inconsistent firm to create value-enhancing synergies between their business units. Status inconsistency complicates integrating the business units in multiunit firms because of incompatible expectations to high- and low-status units including different expectations as to product quality and product price (Benjamin and Podolny 1999). Beyond the price–quality barriers between high- and low-status business units, status-based product expectations also provide more normative types of barriers to effective business-unit integration that focus less on expected product quality and more on normatively acceptable product categories (Jensen 2010, Phillips and Kim 2009, Phillips et al. 2013). High-status firms are also better positioned to divest business units in a timely and financially satisfying manner. Divestiture of a business unit is not a unilateral decision made by the divesting firm alone but requires acquirers willing to buy the divested unit and third parties such as investment banks, management consultants, and law firms to facilitate the transaction. Because high-status firms generally attract more attention from external audiences, they likely have access to more qualified buyers and third parties, which makes it easier for high-status firms to divest business units, even if high- and low-status firms are assumed to be equally concerned about status inconsistency.

In sum, although status inconsistency creates identity ambiguity for both high-status firms and low-status firms, status inconsistency is most likely to motivate high-status firms to divest business units to decrease status inconsistency because identity ambiguity is more costly for high-status firms. Moreover, decreasing status inconsistency through divestitures increases the status of high-status firms because it implies the divestiture of low-status units, whereas it decreases the status of low-status firms because it implies the divestiture of high-status units, thus aligning increasing overall status and reducing status inconsistency for high-status firms but not for low-status firms. Divesting to decrease status inconsistency is, in other words, a simpler choice for high-status firms than for low-status firms that may prioritize decreasing status inconsistency in some situation and increasing their overall status in other situations. We therefore hypothesize the following:

Hypothesis 1. *Status inconsistency increases the likelihood of divestitures that decrease status inconsistency for high-status firms.*

Hypothesis 2. *Status inconsistency increases the likelihood of divestitures that decrease status inconsistency more for high-status than for low-status firms.*

We distinguish between horizontal and vertical market identity, but we also argue that they interact to jointly shape business portfolio restructuring. Specifically, status inconsistency is more harmful and more likely to result in divestiture when the status-inconsistent units are related to the core business units. Firms routinely adjust their business portfolios by divesting peripheral business units to increase their investments in business units that are core to their strategy and market position (Brauer 2006, Dellestrand and Kappen 2012). Unrelated business units are usually more likely to be divested because they do not fit well with the horizontal identity of the firm (Zuckerman 2000) and are less critical to the core business units in terms of operational synergies and resource complementarities (Bergh 1995, Chatterjee and Wernerfelt 1991, Lee and Madhavan 2010). Divesting of unrelated business units ensures a clearer and more easily classifiable horizontal market identity, while at the same time is unlikely to affect the core units and may even improve their performance because economic resources and managerial attention are focused on fewer units (Markides 1992). Divesting of related business units, in contrast, may not only reduce the synergies between business units, but may also be less likely to be viewed positively by the stock market (Bergh 1995, Montgomery et al. 1984), and it would make it harder for external audiences to make sense of the firm (Zuckerman 2000).

Although horizontally unrelated business units generally tend to be at greater risk of being divested (Zuckerman 2000), horizontal unrelatedness could provide a shield for status-inconsistent units. External audiences are likely to be more troubled by status inconsistency if the source of status inconsistency is business units that are related to the core business. Status inconsistency in related business units adds more

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ambiguity to the market identity of a firm than status inconsistency in unrelated units because it relates to the core of the firm. For a large luxury automaker, for example, acquiring a small discount automaker would paradoxically create more ambiguity about the identity of the firm as a luxury automaker than if it acquired a small discount airline. Because status inconsistency in the core business units cannot be easily ignored, but poses a strong challenge to our understanding of the core business units, it is particularly difficult for external audiences to make sense of relatedly diversified but status-inconsistent firms. When status-inconsistent business units are horizontally distant from the core business units, however, status inconsistency is less likely to blur the overall vertical identity of a status-inconsistent firm and less likely to induce severe illegitimacy discounts compared to status inconsistency in related units. The small discount airline owned by the large luxury automaker is simply ignored because it is unrelated to the core business.

In sum, the interplay of horizontal and vertical market identities provides flexibility, not only constraint: horizontal unrelatedness makes status inconsistency more tolerable, allowing for more experimentation at the periphery of the business portfolio as long as it does not affect the market identity of the core business units. We therefore hypothesize that:

Hypothesis 3. *Status inconsistency increases the likelihood of divestitures that decrease status inconsistency more for relatedly diversified firms than for unrelatedly diversified firms.*

Hypothesis 4. *Related status-inconsistent business units are more likely to be divested than unrelated status-inconsistent units.*

4. Methods

We test our hypotheses about the effect of status inconsistency on divestitures using a sample of diversified U.S. public firms from 1998 to 2014. 1998 is the first year in our sample because the 1997 SFAS 131 changed information disclosure and segment reporting for public firms and required firms to reveal previously undisclosed information about their diversification posture (Berger and Hann 2003). Following Zuckerman (2000), we focus empirically on industry segments, defined in terms of three-digit SIC codes, in which firms operate rather than the business units themselves, because business units are not directly observable (see also Xuan 2009, Ang et al. 2014). We require firms to operate in at least two segments, whereas we include one-segment firms when building firm-level variables such as status, expected profitability, and excess value. We collect firm-level financial data from Compustat North America Fundamental and match it with data about industry segments from Compustat Historical Segments. To ensure consistency between firm- and segment-level data, we follow Berger and Ofek (1995) and Schlingemann et al. (2002) in requiring that the sum of segment sales not deviate more than 1% from total firm sales. We exclude firm-year observations if at least one segment of a firm had negative sales, because it is impossible to calculate the key measures for firms with negative segment sales.

Our data selection approach yielded a primary sample of 4,030 firms (64,883 segment-year observations). Excluding incomplete observations due to variable calculations or missing values, our final segment-level sample consists of 2,249 firms (28,460 segment-year observations) divesting 1,028 segments (the average firm operates in 2.8 segments). Our firm-level sample is more constrained, with 7,817 firm-year observations (798 firms). For firms with only two segments, status inconsistency would be mechanically reduced to zero if it divests, which led us to require that there be at least two segments after divestiture in the firm-level sample. Because the number of divested segments drops significantly in 2013, we reestimate all models using only data before 2013 and find these results similar to the results reported here.

4.1. Dependent Variables and Estimation Approach

We estimate the likelihood of a segment being divested in year t, conditional on the segment not having been divested in prior years. Our theory suggests that divestitures that decrease status inconsistency and divestitures that increase status inconsistency are opposites cases, whereas cases with divestitures that neither decreased nor increased status inconsistency and cases with no divestitures are somewhere in between. We coded, therefore, four types of divestitures: status inconsistency decreasing divestitures (coded 4), status inconsistency neutral divestitures (coded 3), no divestitures (coded 2), and status inconsistency increasing divestitures (coded 1). We treat the four types of divestitures as an ordinal variable with higher values indicating that firms are less tolerant of status inconsistency and lower values indicating that firms are more tolerant of status inconsistency, and use ordered logit regressions with firm-level clustered-robust standard errors to account for heteroskedasticity (Bidwell 2011, Paollela and Durand 2016) to predict the likelihood of divestures that reduce status inconsistency.[4]

To test our segment-level hypothesis, we use event history analysis to model annual segment divestments. We use firm-level clustered-robust standard errors to account for the multiple-level (segment and firm) nature of data structure and the potential issue of heteroskedasticity and serial correlation (Piao and Zajac 2016, Sgourev and Zuckerman 2011, Williams 2015).[5]

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The dependent variable in the discrete-time event history model is the hazard rate of divestiture, expressed as the divestiture likelihood of a segment occurring at year t, conditional on the segment not having been divested prior to year $t-1$. For a segment of a firm in a particular fiscal year, we examine the effect of covariates on the log-odds that the segment would be divested in the subsequent year (i.e., one-year time lag) (Zuckerman 2000). A segment enters the risk set when the segment first appears in Historical Segments. We identify the first appearance of a segment with data dating back to 1976, which helps reduce left-censor concern.[6] To avoid misspecification, we use a Cox proportional hazard model, which is more flexible and robust when it is hard to specify a particular shape of the time dependence of the hazard rate (Cleves et al. 2008, Greve and Zhang 2017, Shimizu and Hitt 2005).

4.2. Independent Variables

Status. We operationalize status by the amount of public attention and recognition firms received for a given level of quality and performance (Jensen 2006, Pollock and Gulati 2007, Shen et al. 2014). High-status actors are usually more visible and tend therefore to receive more market attention (Pollock and Rindova 2003), whereas low-status actors are more likely to be ignored (Collet and Philippe 2014, Jensen and Kim 2015). Building on prior research (Pollock and Gulati 2007, Collet and Philippe 2014), we use security analyst (sell-side) coverage as an indicator of status because analyst coverage is a commonly used indicator of the amount of market attention and recognition for a firm. We define analyst coverage of a firm in a particular year as occurring when an analyst issues an investment recommendation for the firm in that year. Because analyst coverage happens at the firm level, it cannot be used to measure the status of each segment in its industry directly. To measure a firm's status in each segment, we examine the industry expertise of analysts that cover the firm rather than simply categorizing analysts as industry experts or nonexperts: if a firm is covered by analysts with high expertise in one industry, its status in that segment is high.[7]

The status of a firm in one industry is measured accordingly by the amount of attention it attracted from security analysts specializing in that industry. Specifically, we identify first the industry to which each firm belongs by three-digit SIC code. To calculate the industry expertise of analysts, we assign multisegment firms to their primary industry or three-digit SIC code on the basis of the segment with the highest proportion of sales (Zuckerman 1999, p. 1147). We then count the number of firms that each analyst covered in an industry and use this number as an indicator of industry expertise. We assume, in other words, that analysts have different levels of expertise for each industry rather than simply categorizing analysts as experts and nonexperts. The analyst covering the most firms in an industry is given an expertise score of one, whereas the expertise of the other analysts is calculated as the number of firms they covered divided by the number of firms covered by the analyst covering the most firms. The analyst expertise score thus ranges from zero to one. The data on analyst coverage comes from I/B/E/S.

Segment Status. Based on the analyst expertise score, the amount of expertise that a segment in a specific firm attracted equals the sum of the expertise of the analysts covering the firm that specialized in that industry segment. The segment status of firm f in industry i is, accordingly,

$$SS_{fit} = SE_{fit}/\max(SE_{git}),$$

where SE_{fit} is the amount of expertise that firm f attracted in industry i; SE_{git} is the amount of expertise that firm g attracted in industry i; and $\max(SE_{git})$ is the maximum taken over all firms that participate in industry i, at year t. Segment status therefore varies from zero to one. Appendix A provides the name list of highest-status firms of each industry in 1998. According to this measure, *Nike*, *Intel*, and *Boeing* are listed as leaders of their respective industries (SIC 302, 367, and 372) in 1998. Note that it is possible that there are multiple companies with highest status in one industry and one company can have the highest status in multiple industries. *Knoll* and *Herman Miller* had the highest status in office furniture (SIC 252), for example, because they attracted the same amount of expert attention. *American Express* was ranked as the industry leader of both SIC 608 (*Foreign bank & branches, agencies*) and SIC 609 (*Functions closely related to banking*) as it attracted the most expert attentions in both industry segments.

Firm Status. Firm status is measured as the sales-weighted average of segment status:

$$FS_{ft} = \sum_{i=1}^{l} SS_{fit} \times W_{fit},$$

where l refers to the number of industry segments reported by firm f, and W_{fit} refers to the proportion of total sales that the segment represents, at year t. Following Zuckerman (2000), segment status is computed as its deviation from firm status ($SS_{fit} - FS_{ft}$) for statistical analysis.[8]

To validate the status measure, we construct an alternative measure of firm status by simply counting the number of analysts that a firm attracts (Pollock and Gulati 2007, Collet and Philippe 2014). Firms not covered by security analysts are both perceived to be of lower quality, and failure to secure coverage makes

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them less visible (Pollock and Rindova 2003), thus suggesting that security analyst coverage itself is an indicator of status. The simple security analyst count measure of status is, not surprisingly, highly correlated with our expertise-based measure of status ($r = 0.73$), and the statistical results using the simple measure are similar to the results reported here. We think our status measure more accurately incorporates the core insight in status research that it is not only your own centrality that matters but also the centrality of the actors to whom you are connected (Bonacich 1987). Specifically, because our status measure considers the expertise of the security analysts covering the firm and not only the amount of coverage given a firm, our status measure is not simply a measure of the popularity (Plangger 2012) of a firm among security analysts.

In addition, following Shen et al. (2014), we compare our status measure with *Fortune's Most Admired Companies* (FMAC) ranking. Although the FMAC rankings are usually considered as indicators for reputation (Fombrun and Shanley 1990, Philippe and Durand 2011), a distinct concept from status (Jensen and Roy 2008, Washington and Zajac 2005), reputation and status are typically highly correlated (Dimov et al. 2007, Pollock et al. 2015). Indeed, reputation and status are occasionally used interchangeably because both function as signals of quality (Podolny 1993, Rhee and Haunschild 2006), and the FMAC rankings may actually be more accurately thought of as a status ranking than a reputation ranking (Jensen et al. 2012). Regardless, we collect FMAC rankings for 2009 and 2012, and find that the firms included in the 2009 and 2012 rankings, according to our status measure, have a mean status of 0.55, which is significantly higher than the firms not included in the FMAC rankings, whose mean status was 0.16 in 2009 ($t = 20.52; p < 0.001$) and 0.18 in 2012 ($t = 19.90; p < 0.001$). We conclude therefore that the FMAC rankings corroborate the validity of our status measure.

Firm Status Inconsistency. We calculate status inconsistency of a firm as the sales-weighted standard deviation of segment status:

$$FSI_{ft} = \sqrt[2]{\sum_{i=1}^{l} W_{fit} \times (SS_{fit} - FS_{ft})^2}.$$

We use sale percentage to weight the status of segment because the extent to which segment status affects the perceived identity ambiguity of a firm may depend on its size. The status of a low-status segment, for example, may not be a big concern for a high-status firm if the segment only takes a very small proportion of overall businesses. Appendix B illustrates the calculation of segment status, firm status, and status inconsistency for two telecommunication firms, *AT&T* and *Qwest communication*.

Segment Status Inconsistency. To test our segment-level hypotheses, we construct segment status inconsistency as the amount of weight a segment adds to the status inconsistency of its firm:

$$SSI_{fit} = \frac{W_{fit} \times (SS_{fit} - FS_{ft})^2}{\sum_{i=1}^{l} W_{fit} \times (SS_{fit} - FS_{ft})^2}.$$

The denominator is the variance of all segment status in the firm f (i.e., FSI_{ft}^2), and the numerator captures the extent to which segment i' status deviates from f's firm status. It ranges from zero to one. Larger segment status inconsistency indicates that the segment adds more to the firm-level status inconsistency. Because this formula requires the denominator (i.e., FSI_{ft}^2) to be nonzero, observations with zero firm status inconsistency are automatically removed in the segment-level analysis.

Segment Relatedness. We follow Zuckerman (2000) and use prevalence scores to measure segment relatedness.[9] We first use the matrix formula developed by Teece et al. (1994) to measure the asymmetric interindustry relatedness between any two industries each year (for more details, see p. 619 of Zuckerman 2000), and then compute a segment's prevalence score in a firm, as its mean relatedness to all other segments in the firm:

$$SR_{fit} = \frac{\sum_{j \neq i}^{l_f} (t_{ij} + t_{ji})/2}{l_{ft} - 1},$$

where t_{ij} and t_{ji} is the interindustry relatedness between industry i and industry j, and l_{ft} is the number of segments for firm f at time t. Accordingly, we measure the firm-level relatedness, firm prevalence, as the sales-weighted average of segment relatedness:

$$FR_{ft} = \sum_{i}^{l_f} W_{fit} \times SR_{fit},$$

where FR_{ft} reflects the extent to which a firm's segments are interrelated with each other, and W_{fit} is segment i's sales percentage at t. For the segment-level relatedness, we subtract the firm-level relatedness from a segment's prevalence score (Zuckerman 2000).

4.3. Control Variables

We include several firm-level control variables. We follow Berger and Ofek (1995) and Zuckerman (1999) in using excess firm value to control for firm-level profitability. Excess value is the percentage difference between the total value of a firm and the sum of imputed values of its segments as stand-alone firms. Excess value is equal to $\ln(V/I(V))$, where V is the total value of firm calculated as the market value of equity

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plus book value of debt, and $I(V)$ the imputed value of the sum of a firm's segment as standalone firms:

$$I(V)_f = \sum_1^l AI_{fi} \times \left(Ind_i \left(\frac{V}{AI} \right)_{mg} \right),$$

where AI_{fi} is the sales of firm f's segment i and $Ind_i(V/AI)_{mg}$ is the ratio of total value to sales for the median single-segment firm with at least 20 million in sales in segment i's industry. Like Berger and Ofek (1995), Schlingemann et al. (2002), and Ang et al. (2014), we base industry median ratios on the narrowest SIC grouping with at least five firms in an industry. We include firm EBIT as an indicator of the current firm-level financial performance. It is important to control for current performance and profitability because divestiture is usually associated with poor performance (Duhaime and Grant 1984, Brauer 2006). We control also for firm-level business specialization (or diversification) using the Herfindahl index, because firms may divest as a reaction to overdiversification; the number of segments,[10] because firms with many segments may be more likely to divest in a given year; firm prevalence, because firms with more coherent and related segments may be less likely to make divestiture; and firm assets, because firm size is found to be important for the likelihood of divestiture (Chang and Singh 1999, Hoskisson and Hitt 1994, Zuckerman 2000).

We also include several segment-level control variables. We control for the size of a segment by it sales. Segment size indicates the importance of the segment to overall businesses of a firm. We control for the expected profitability of the overall industry of which a segment is part because firms may be less likely to divest segments that reside in a promising industry. Expected profitability is measured as $Ind_i(V/AI)_{mg}$, the ratio of total value to sales for the median single-segment firm with at least 20 million in sales in the industry of segment i. We control for the performance of a segment with segment market share, measured as the proportion of the sales of a segment to the sales of all of the segments in the industry. We control for the growth of a segment with segment sales growth, measured as the difference of the sales of a segment between year t and $t-1$. By controlling for segment performance and growth, we rule out the alternative explanation that our results are caused by poor segment performance and not status (Podolny and Phillips 1996). Following prior research using nested models (Zuckerman 2000), all of the segment-level variables are expressed as a deviation from firm-level means. Finally, we control for the period before the 2001 financial crisis and after the 2008 financial crisis because the decision to divest may be affected by external economic conditions in the U.S. economy. Tables 1(a) and 1(b) present summary statistics and bivariate correlations for firm-level and segment-level samples, respectively.

5. Results

Table 2 provides the results of ordered logit regressions on firm-level *status inconsistency decreasing divestitures*. We focus first on the average effects of our status variables for all firms. Models 1 and 2 present the baseline models. Firm status ($\beta = 0.59; p < 0.001$) and status inconsistency ($\beta = 2.72; p < 0.001$) are positive and significant, which suggests that high-status firms and status-inconsistent firms are more likely to conduct divestitures that reduce status inconsistency. The effect of firm status is not significant, however, when status inconsistency is included, probably because of the correlation between firm status and status inconsistency ($r = 0.62$). To reduce multicollinearity, we follow prior research (Hiatt et al. 2009, Ertug and Castellucci 2013, Hallen and Pahnke 2016) and orthogonalize firms status and firm status inconsistency.[11] Orthogonalization reduces multicollinearity and decreases the VIF scores for firm status and status inconsistency to 1.43 and 1.21, respectively, and the conditioning number to 18.2. Because orthogonalization removes the uncertainty about the sign and statistical significance of correlated variables, we use orthogonalized variables to test our firm-level hypotheses (using raw data provides similar results). Model 3 replicates Model 2 using the orthogonalized variables. Firm status inconsistency still has a significantly positive effect on status inconsistency reducing divestitures ($\beta = 0.23; p < 0.001$),

Table 1(a). Descriptive Statistics and Correlations for the Firm-Level Sample

Variable	Obs.	Mean	SD	Min	Max	1	2	3	4	5	6	7	8
1. *Status inconsistency decreasing divestitures*	7,817	2.17	0.59	1.00	4.00								
2. *Firm status inconsistency*	7,817	0.06	0.10	0.00	0.50	0.15							
3. *Firm status*	7,817	0.16	0.26	0.00	1.00	0.09	0.62						
4. *Firm excess value*	7,817	−0.05	1.14	−7.43	8.53	0.01	0.02	0.01					
5. *Firm prevalence*	7,817	1.45	1.74	−0.93	14.72	−0.03	−0.02	−0.03	0.00				
6. *Firm EBIT*/1,000	7,817	0.05	0.24	−0.89	6.63	0.02	0.19	0.23	0.00	0.02			
7. *Firm specialization*	7,817	0.67	0.21	0.16	1.00	−0.04	−0.28	0.06	0.08	−0.01	−0.03		
8. *Firm assets* (ln)	7,817	6.13	2.56	−4.96	13.53	0.05	0.44	0.53	−0.02	0.01	0.38	−0.11	
9. *Number of segments* (ln)	7,817	0.88	0.28	0.69	2.20	0.09	0.21	0.02	−0.03	0.00	0.13	−0.53	0.23

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Table 1(b). Descriptive Statistics and Correlations for the Segment-Level Sample

Variable	Obs.	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. *Firm status*	28,460	0.31	0.27	0.00	1.00															
2. *Firm excess value*	28,460	−0.09	0.91	−6.32	6.34	0.06														
3. *Firm EBIT*/1,000	28,460	1.01	3.52	−8.85	66.29	0.14	0.04													
4. *Firm specialization*	28,460	0.62	0.21	0.14	1.00	0.14	0.01	−0.10												
5. *Number of segments* (ln)	28,460	0.97	0.32	0.69	2.30	−0.07	−0.05	0.21	−0.63											
6. *Firm prevalence*	28,460	5.57	4.67	−3.10	42.17	0.23	−0.04	0.01	0.07	−0.04										
7. *Firm assets* (ln)	28,460	7.63	1.89	−0.52	14.45	0.43	0.05	0.51	−0.16	0.33	0.14									
8. *Segment status inconsistency*	28,460	0.40	0.33	0.00	1.00	0.01	0.02	−0.06	0.17	−0.31	0.03	−0.10								
9. *Segment status*	28,460	−0.03	0.27	−1.00	1.00	−0.28	0.00	−0.05	−0.06	−0.02	0.04	−0.07	0.00							
10. *Segment relatedness*	28,460	−0.25	1.54	−18.20	13.02	−0.02	0.01	−0.03	0.04	−0.15	−0.12	−0.07	0.04	0.15						
11. *Segment size*	28,460	0.08	9.09	−190.7	190.7	0.01	0.00	0.01	0.00	0.00	0.00	0.01	−0.16	0.10	0.07					
12. *Segment market share*	28,460	−0.01	0.11	−0.67	0.78	0.03	−0.01	0.00	0.03	−0.03	−0.04	0.00	−0.13	0.16	0.18	0.18				
13. *Segment expected profitability*	28,460	−0.01	3.66	−28.50	37.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.05	−0.06	−0.04	−0.02	−0.06			
14. *Segment sales growth*	28,460	−0.01	0.17	−5.36	6.69	−0.03	0.01	−0.07	−0.03	0.00	−0.01	−0.04	−0.03	0.02	0.01	0.17	0.04	0.00		
15. *Before* 2001	28,460	0.17	0.38	0.00	1.00	−0.03	0.06	−0.05	−0.02	−0.02	−0.01	−0.13	−0.03	0.00	0.02	0.00	0.02	−0.01	0.00	
16. *After* 2008	28,460	0.36	0.48	0.00	1.00	0.02	−0.08	0.06	0.02	0.00	0.00	0.13	0.01	0.00	0.00	0.00	−0.01	0.00	0.02	−0.34

Table 2. Ordered Logit Analysis of the Likelihood of Status Inconsistency Decreasing Divestitures

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 6M	Model 7	Model 8
	Raw	Raw	Orthog	Orthog	Orthog	Orthog		Orthog	Orthog
	Full	Full	Full	High status	Low status	Full	AME	Full	Full
Firm status inconsistency × *Firm prevalence*								0.01 (0.02)	0.01 (0.02)
Firm status inconsistency × *Firm status*						0.08* (0.03)	0.004* (0.002)		0.08* (0.03)
Firm status inconsistency		2.72*** (0.39)	0.23*** (0.03)	0.27*** (0.04)	0.13 (0.10)	0.15** (0.05)	0.009** (0.003)	0.22*** (0.04)	0.14* (0.06)
Firm status	0.59*** (0.14)	−0.06 (0.16)	0.17*** (0.04)	0.27*** (0.05)	0.42*** (0.12)	0.19*** (0.04)	0.011*** (0.002)	0.17*** (0.04)	0.19*** (0.04)
Firm excess value	0.03 (0.03)	0.02 (0.03)	0.02 (0.03)	−0.01 (0.04)	0.05 (0.03)	0.02 (0.03)	0.001 (0.001)	0.02 (0.03)	0.02 (0.03)
Firm prevalence	−0.03* (0.01)	−0.03* (0.01)	−0.03* (0.01)	−0.04* (0.02)	−0.01 (0.02)	−0.03* (0.01)	−0.002* (0.001)	−0.03† (0.02)	−0.03* (0.02)
Firm EBIT/10,000	0.03 (0.08)	0.02 (0.08)	0.02 (0.08)	−0.01 (0.09)	0.25 (0.28)	0.01 (0.09)	0.001 (0.005)	0.02 (0.08)	0.01 (0.09)
Firm specialization	0.25 (0.17)	0.66*** (0.18)	0.66*** (0.18)	0.70* (0.29)	0.62* (0.24)	0.65*** (0.18)	0.038*** (0.011)	0.66*** (0.18)	0.65*** (0.18)
Firm assets (ln)	−0.06*** (0.01)	−0.06*** (0.02)	−0.06*** (0.02)	−0.06* (0.03)	−0.03 (0.02)	−0.06*** (0.02)	−0.004*** (0.001)	−0.06*** (0.02)	−0.06*** (0.02)
Number of segments (ln)	0.91*** (0.14)	0.89*** (0.14)	0.89*** (0.14)	0.84*** (0.22)	0.92*** (0.19)	0.90*** (0.14)	0.053*** (0.008)	0.89*** (0.14)	0.90*** (0.14)
Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
Clustered-robust s.e.	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
Observations	7,817	7,817	7,817	3,908	3,909	7,817		7,817	7,817
Model chi-square	128.2	166.1	166.1	144.2	78.35	175.1		166.2	175.3
df	22	23	23	23	23	24		24	25
Log likelihood	−4,987	−4,963	−4,963	−2,414	−2,410	−4,960		−4,963	−4,960

Note. Robust standard errors in parentheses.
$^{***}p < 0.001$; $^{**}p < 0.01$; $^{*}p < 0.05$; $^{\dagger}p < 0.1$.

which suggested that on average, status inconsistency increases the likelihood of divestitures that decreases status inconsistency.

To test Hypothesis 1, which suggested that status inconsistency increases the likelihood of divestitures that reduce status inconsistency for high-status firms, we split the full sample by the median firm status. Model 4 supports Hypothesis 1 by showing that the effect of firm status inconsistency is positive and significant ($\beta = 0.27; p < 0.001$) in the top 50% subsample. The effect of firm status inconsistency is not significant in Model 5 for the bottom 50% subsample, which provides initial support for Hypothesis 2: status inconsistency seems to increase the likelihood of divestitures that reduce status inconsistency more for high-status than for low-status firms. To test Hypothesis 2 more formally, we include an interaction term of firm status and status inconsistency in Model 6. The interaction is positive and significant ($\beta = 0.08; p < 0.05$). Because it is difficult to interpret the coefficients in models with limited dependent variables (Ai and Norton 2003), we follow recent research and use the predicted probabilities to calculate the average marginal effects (AMEs) of the predicting variables (Plummer et al. 2016). The AME estimates in Model 6M indicate that the interaction of firm status and status inconsistency is positive and significant ($\beta = 0.004; p < 0.05$). Hypothesis 2 is therefore supported.

Hypotheses 3 and 4 are tested in Model 7 in Tables 2 and 3, respectively. Model 7 tests Hypothesis 3, which suggested that status inconsistency increases the likelihood of divestitures that reduce status inconsistency more for relatedly diversified firms than for unrelatedly diversified firms. The interaction between firm prevalence and status inconsistency (both β and AME) is, however, not significant, which suggests that Hypothesis 3 is not supported. Model 8 reports the full model with all of the variables and confirms the results from the partial models. Table 3 reports the results of Cox models that analyze what segments are most likely to be divested. Model 9 includes the control variables only, and it shows that firms with more related segments are less likely to divest, whereas firms operating in more different segments are more likely to divest.[12] At the segment level, segments that are high status, relatively large compared to other segments,

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Table 3. Cox Analysis of Divestitures from Three-Digit Industries

	Model 9	Model 10	Model 10M
			AME
Segment status inconsistency × *Segment relatedness*		0.19*** (0.05)	0.56** (0.21)
Segment status inconsistency	1.16*** (0.10)	1.28*** (0.10)	3.81*** (1.14)
Firm status	−0.13 (0.16)	−0.13 (0.16)	−0.39 (0.50)
Firm excess value	0.03 (0.04)	0.04 (0.04)	0.11 (0.11)
Firm EBIT/1,000	−0.02 (0.01)	−0.01 (0.01)	−0.04 (0.04)
Firm specialization	−0.09 (0.22)	−0.12 (0.22)	−0.37 (0.58)
Number of segments (ln)	0.96*** (0.14)	0.96*** (0.14)	2.87** (1.11)
Firm Prevalence	−0.05*** (0.01)	−0.05*** (0.01)	−0.14** (0.04)
Firm assets (ln)	−0.00 (0.03)	−0.00 (0.03)	−0.00 (0.08)
Segment status	−0.37** (0.13)	−0.38** (0.13)	−1.13* (0.49)
Segment relatedness	−0.07*** (0.02)	−0.15*** (0.03)	−0.03* (0.01)
Segment size	−0.01** (0.00)	−0.01* (0.00)	−0.04 (0.88)
Segment market share	−0.02 (0.29)	−0.01 (0.29)	−0.43** (0.14)
Segment expected profitability	−0.01 (0.01)	−0.01 (0.01)	−0.03 (0.03)
Segment sales growth	−0.02 (0.10)	−0.01 (0.10)	−0.04 (0.31)
Before 2001	0.11 (0.09)	0.12 (0.09)	0.35 (0.30)
After 2008	−0.45*** (0.09)	−0.45*** (0.09)	−1.36** (0.45)
Observations	28,460	28,460	
Model chi-square	287	276.6	
df	16	17	
Log likelihood	−7,099	−7,091	

Note. Robust standard errors in parentheses.
***$p < 0.001$; **$p < 0.01$; *$p < 0.05$.

and more related to the other segments in the firm are less likely to be divested. Segment status inconsistency is positive and significant ($\beta = 1.16; p < 0.001$), which suggests that segments that contribute more to status inconsistency are more likely to be divested. Model 10 includes the interaction between segment relatedness and segment status inconsistency, which is positive and significant ($\beta = 0.19; p < 0.001$). The AME estimates in Model 10M confirm that the marginal effect of the interaction is positive and significant. Hypothesis 4, which suggested that related status-inconsistent business units are more likely to be divested than unrelated status-inconsistent units, is therefore supported.

5.1. Robustness Checks and Additional Analyses

First, we have proposed a linear, rather than an inverted, U-shaped relationship, which implies that the higher the status, the more likely firms will respond to status inconsistency through divestiture. An alternative argument would be that middle-status firms are more likely to respond to status inconsistency through divestiture than high-status firms because they are more concerned about conforming to expectations about unambiguous market identity (Phillips and Zuckerman 2001). To test if middle-status conformity accounts for our results, we split our samples into high-, middle-, and low-status firms, using the *cut* command in Stata. As shown in Models 11–13 of Table 4, the effect of firm status inconsistency is stronger and more significant for high-status firms ($\beta = 0.32; p < 0.001$) than for middle-status ($\beta = 0.18$; $p < 0.001$) and low-status ($\beta = 0.03; p > 0.1$) firms. The three coefficients are significantly different at the $p < 0.1$ level. The hypothesized linear relationship between firm status and status inconsistency is therefore confirmed.

Second, we argued that status inconsistency is a problem because it creates identity ambiguity for external audiences. Alternatively, high-status firms may divest potentially value-destroying status inconsistent business units more frequently because they have access to more qualified buyers and third parties, not because of identity ambiguity. To tease apart these explanations, we create a subsample that excludes nondivestitures and status inconsistency neutral divestitures, and use a new dichotomous dependent variable coded one for status inconsistency decreasing divestitures and zero for status inconsistency increasing divestitures. We test next whether high-status firms, conditional on making nonneutral divestitures, tend to choose status inconsistency decreasing or increasing divestitures using a two-stage selection model (*heckprobit* in Stata) to correct for selection bias (Ter Wal et al. 2016). The first stage predicts the likelihood of a nonneutral divestiture in the full sample, and the second stage predicts the choice between status inconsistency decreasing and status inconsistency increasing divestitures using the number of segments as the selection instrument. The results in Models 14 and 15 show that firm status has a positive and significant effect on status inconsistency decreasing divestitures, thus suggesting that high-status firms prefer to reduce status inconsistency compared to low-status firms.[13]

Finally, to check the robustness of our segment-level findings, we run a conditional logit regression conditioned on the firm-year dyad, as an alternative way of accounting for potential heteroskedasticity to the clustered-robust standard errors used in the Cox estimator. The analysis only retains those firm years in

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Table 4. Additional Firm-Level Analysis on Status Inconsistency Decreasing Divestitures

	Model 11	Model 12	Model 13	Model 14	Model 15
	Ordered logit			Two-stage probit	
	High status	Middle status	Low status	First stage	Second stage
Firm status inconsistency	0.32***	0.18***	0.03	0.12***	0.64***
	(0.05)	(0.05)	(0.18)	(0.02)	(0.08)
Firm status	0.31***	0.34***	0.38†	0.20***	0.53***
	(0.06)	(0.08)	(0.22)	(0.02)	(0.06)
Firm excess value	−0.10†	0.08†	0.03	0.01	−0.07
	(0.06)	(0.04)	(0.04)	(0.02)	(0.05)
Firm prevalence	−0.01	−0.06*	−0.03	−0.02	−0.03
	(0.03)	(0.02)	(0.02)	(0.01)	(0.03)
Firm EBIT/10,000	−0.01	−0.11	0.23	−0.27**	−0.18
	(0.09)	(0.29)	(0.22)	(0.10)	(0.27)
Firm specialization	0.49	0.88**	0.55*	0.15	0.57†
	(0.42)	(0.31)	(0.28)	(0.12)	(0.31)
Firm assets (ln)	−0.04	−0.06*	−0.03	0.02	0.07*
	(0.04)	(0.03)	(0.02)	(0.01)	(0.03)
Number of segments (ln)	1.06***	0.61*	0.96***	0.65***	
	(0.25)	(0.27)	(0.22)	(0.08)	
Constant				−2.01***	−1.22*
				(0.17)	(0.55)
Observations	2,237	2,727	2,853	7,817	
Year fixed effects	Yes	Yes	Yes	Yes	
Clustered-robust s.e.	Yes	Yes	Yes	Yes	
Model chi-square	145.9	76.01	62.81	174.7	
df	23	23	23	22	
Log likelihood	−1,300	−1,718	−1,738	−2,808	

Notes. The first stage in Model 14 predicts the likelihood of doing either status increasing or status decreasing divestitures. The second stage in Model 15 predicts the likelihood of status inconsistency decreasing divestitures conditional on having done either status increasing or status decreasing divestitures. Robust standard errors in parentheses.

***$p < 0.001$; **$p < 0.01$; *$p < 0.05$; †$p < 0.1$.

which a firm divested at least one but not all of its units, and cannot estimate firm-level variables, thus reducing our sample substantively from 28,460 to 2,423 observations. The unreported results are highly consistent with our main findings in Table 3.

6. Discussion and Conclusion

The main argument presented in this study is that status is an important aspect of the market identities of firms and that identity ambiguity is caused not only by bridging horizontal product categories but also by status inconsistency across vertical status categories. Focusing on how firms respond to status inconsistency by restructuring their business portfolios, we argued that high-status firms are more likely than low-status firms to divest business units as a response to status inconsistency. Divesting of status inconsistency increasing business units aligns the dual concern for increasing overall status and decreasing status inconsistency for high-status firms, who would have to divest low-status business units, but not for low-status firms, who would have to divest high-status business units, thus facing a more difficult trade-off between increasing their status and decreasing status inconsistency. Using a comprehensive sample of publicly traded U.S. firms from 1998 to 2014, we found that status inconsistency indeed increases the likelihood of divestiture that reduces status inconsistency more for high-status firms than low-status firms. We also found that firms are more likely to divest related than unrelated status-inconsistent business units, whereas we did not find that status inconsistency in general increases the likelihood of divestitures that decrease status inconsistency more for relatedly diversified firms than for unrelatedly diversified firms.

Although status theory has become an increasingly important part of corporate strategy research since Podolny (1993) introduced his status-based model of markets (Jensen et al. 2011, Piazza and Castellucci 2014), our study is nevertheless the first to focus on how status and status inconsistency affect an important type of corporate restructuring: business unit divestments. By moving beyond focusing only on the

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negative consequences of status inconsistency for multiunit firms to focusing on how firms divest business units in response to status inconsistency, we confirm that "status inconsistency should be integrated into product diversification theory to complement horizontal relatedness as a potential constraint on beneficial horizontal diversification" (Jensen and Wang 2018, p. 35). Our study documents the importance of integrating status inconsistency and product diversification research by showing that high-status firms respond to status inconsistency by divesting low-status business units. Our study thus reinterprets the now famous advice by Jack Welch, the former CEO of GE, that a company should be either number one or number two in an industry or leave the industry by suggesting that status consistency provides another motivation for high-status firms like GE to divest lesser business units.

An important next step toward integrating status inconsistency and product diversification research would be to examine if firms not only use divestments reactively to reduce status inconsistency, but also use mergers and acquisitions proactively to preserve status consistency. Firms may also attempt to avoid status inconsistency by distancing themselves from business units offering profitable low-end products. Victorian era record companies known for high-brow classical music, for example, avoided status inconsistency by using pseudonyms to preserve their high-status identity when recording profitable low-brow jazz music (Phillips and Kim 2009). Although status inconsistency poses a problem for high-status firms, status inconsistency seems to be less problematic for low-status firms: rather than divesting high-status business units, low-status firms may decide to risk status inconsistency to grow their status. Finally, we emphasize the interplay between horizontal and vertical inconsistency by showing that status inconsistency is more likely to result in divestitures when inconsistent business units are related to the core businesses units within a firm. We speculate that a similar logic applies to acquisitions.

Moving from the more narrow focus on status inconsistency as an antecedent of business unit divestitures, our study points more broadly to the importance of studying the different strategies social actors take to strengthen their status position. Specifically, our study emphasizes that it is necessary to consider not only the extent to which different actions affect status levels, but also how they affect status consistency. While this study emphasizes the effect of status inconsistency for organizations as a whole, it would be interesting to discuss its effect for each individual business unit. Status inconsistency may benefit high-status business units internally because pronounced status differences establish clear expectations of deference (Cowen 2012, Shen et al. 2014), thus securing high-status business units preferential access to internal resources. But status inconsistency may reduce the benefits of high status externally because being affiliated with a low-status business may result in external audiences deflating the status of the high-status business units (Podolny 1994, Jensen and Wang 2018), thus making it harder for the high-status business units to access external resources.

Our study is not without limitations. First, we focus on the status of firms and business units, but ignore that industries themselves vary in status (Sharkey 2014, Delmestri and Greenwood 2016). When managers make decisions about divestitures, they may therefore consider not only the status of business units themselves, but also the status of each industry. High industry status may therefore compensate for the low status of a business unit such that a firm may still retain a low-status business unit if it resides in a high-status industry. Because our focus is status difference within and between firms, we implicitly assumed that industries are of similar status, thus opening for future research to take into consideration the industry status heterogeneity. We also assumed that industries are homogenous in terms of uncertainty. The effect of status is largely dependent on the contextual uncertainty (Podolny 1994) or the amount of available information and attention (Simcoe and Waguespack 2011). We compared status across industries, thus assuming that status is equivalent in terms of effectiveness as a signal. A promising next step would be to take into consideration the heterogeneity of industries in terms of contextual uncertainty and market attention. Third, we focus on product diversification by empirically analyzing whether firms span different industries, but firms may also diversify by geography and occupy different status positions in each location. Although we believe that status inconsistency in geographic diversification exerts similar effects as we find here, it would still be interesting to expand our model into different forms of diversification.

Despite the limitations, our study documents the importance of status and status inconsistency for diversified firms and their decisions to divest business units, thus emphasizing the importance of considering both horizontal product and vertical status positioning in research on market identities and corporate restructuring.

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Appendix A. Name List of Highest-Status Firms by Industry, 1998

SIC	Company name	SIC	Company name	SIC	Company name	SIC	Company name
010	NEWHALL LAND &FARM	273	TIMES MIRROR CO	391	OROAMERICA INC	599	SUNGLASS HUT INTL INC
011	PIONEER HI-BRED INTERNATIONL	274	QWEST COMMUNICATION INTL INC	394	CALLAWAY GOLF CO	599	GARDEN RIDGE CORP
013	DELTA & PINE LAND CO	275	CONSOLIDATED GRAPHICS INC	395	HUNT CORP	599	PETCO ANIMAL SUPPLIES INC
017	NORTHLAND CRANBERRIES	276	WALLACE COMPUTER SVCS INC	399	SILICON GAMING INC	602	FRANKLIN RESOURCES INC
018	VLASIC FOODS INTERNATIONAL	277	GIBSON GREETINGS INC	401	NORFOLK SOUTHERN CORP	603	HAWAIIAN ELECTRIC INDS
021	DEKALB GENETICS CORP	278	FRANKLIN COVEY CO	411	RURAL/METRO CORP	608	AMERICAN EXPRESS CO
078	LANDCARE USA INC	279	SCHAWK INC	412	COACH USA INC	609	AMERICAN EXPRESS CO
081	ST JOE CO	280	EASTMAN CHEMICAL CO	421	M S CARRIERS INC	610	ADVANTA CORP
083	HINES HORTICULTURE INC	281	PRAXAIR INC	422	PIERCE LEAHY CORP	611	FANNIE MAE
102	FREEPORT-MCMORAN INC	282	WELLMAN INC	441	OMICORP	614	CAPITAL ONE FINANCIAL CORP
104	MERIDIAN GOLD INC	282	LYONDELL CHEMICAL CO	442	MARINE TRANSPORT CORP	615	BOEING CO
108	CYPRUS AMAX MINERALS CO	283	AMGEN INC	444	TECO ENERGY INC	616	MDC HOLDINGS INC
109	STILLWATER MINING CO	284	REVLON INC	448	ROYAL CARIBBEAN CRUISES LTD	617	CASE CORP
122	TECO ENERGY INC	285	VALSPAR CORP	449	TIDEWATER INC	621	LEHMAN BROTHERS HOLDINGS INC
131	APACHE CORP	286	LYONDELL CHEMICAL CO	451	CONTINENTAL AIRLS INC	628	NATIONWIDE FINL SVCS
132	ONEOK INC	287	DOW CHEMICAL	452	ATLAS AIR WORLDWIDE HLDG INC	630	ALLSTATE CORP
138	HALLIBURTON CO	289	MORTON INTERNATIONAL INC	458	INTERNATIONAL TOTAL SVCS INC	631	HARTFORD LIFE INC
140	GENERAL DYNAMICS CORP	291	LYONDELL CHEMICAL CO	461	ATLANTIC RICHFIELD CO	632	HUMANA INC
141	ROCK OF AGES CORP	295	JOHNS MANVILLE CORP	472	PREVIEW TRAVEL INC	633	ALLSTATE CORP
142	MARTIN MARIETTA MATERIALS	299	QUAKER CHEMICAL CORP	473	AIR EXPRESS INTERNATIONAL CP	635	MGIC INVESTMENT CORP/WI
144	SOUTHDOWN INC	301	COOPER TIRE & RUBBER CO	474	GATX CORP	636	LANDAMERICA FINANCIAL GP
145	AMCOL INTERNATIONAL CORP	302	NIKE INC	478	MOTIVEPOWER INDUSTRIES INC	637	NATIONWIDE FINL SVCS
147	HOMESTAKE MINING	305	COLTEC INDUSTRIES	481	INTERMEDIA COMMUNICATNS INC	639	PREPAID LEGAL SERVICES INC
152	WEYERHAEUSER CO	306	SAFESKIN CORP	482	TRANSACTION NETWORK SVCS INC	641	CONCENTRA MANAGED CARE INC
153	TOLL BROTHERS INC	308	APTARGROUP INC	483	CBS CORP -OLD	651	HOMESTEAD VILLAGE INC
153	BEAZER HOMES USA INC	313	DECKERS OUTDOOR CORP	484	ADELPHIA COMMUN	653	RESORTQUEST INTL INC
154	CENTEX CORP	314	STRIDE RITE CORP	489	PANAMSAT CORP	653	BRIDGESTREET ACCOMMODATIONS
160	BAKER (MICHAEL) CORP	316	ZERO CORP/DE	491	ILLINOVA CORP	655	SERVICE CORP INTERNATIONAL
161	GRANITE CONSTRUCTION INC	321	PPG INDUSTRIES INC	492	SONAT INC	672	STATE AUTO FINANCIAL CORP
162	HALLIBURTON CO	322	DUPONT PHOTOMASKS INC	493	MCN ENERGY GROUP INC	679	EQUITY OFFICE PROPERTIES TR
171	CONECTIV INC	323	APPLIED FILMS CORP	494	AMERICAN WATER WORKS INC	701	PROMUS HOTEL CORP
173	ABLE TELCOM HOLDING CORP	324	LONE STAR INDUSTRIES	495	REPUBLIC SERVICES INC	721	G&K SERVICES INC
178	LAYNE CHRISTENSEN CO	325	DAL-TILE INTERNATIONAL INC	495	ALLIED WASTE INDUSTRIES INC	721	COINMACH LAUNDRY CORP
179	MATRIX SERVICE CO	326	CORNING INC	496	CONSOLIDATED EDISON INC	722	CPI CORP
200	KROGER CO	327	USG CORP	499	ILLINOVA CORP	723	REGIS CORP/MN

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Appendix A. (Continued)

SIC	Company name	SIC	Company name	SIC	Company name	SIC	name
201	HORMEL FOODS CORP	328	ROCK OF AGES CORP	500	GRAINGER (W W) INC	726	SERVICE CORP INTERNATIONAL
202	HORIZON ORGANIC HOLDING CORP	329	MARTIN MARIETTA MATERIALS	501	TRANSPORTATION COMPONENT INC	729	BLOCK H & R INC
203	BESTFOODS	331	NUCOR CORP	502	EKCO GROUP INC	731	INTERPUBLIC GROUP OF COS
204	KELLOGG CO	332	PRECISION CASTPARTS CORP	503	CAMERON ASHLEY BLDG PROD INC	731	OMNICOM GROUP
205	KEEBLER FOODS CO	333	PHELPS DODGE CORP	504	INGRAM MICRO INC	732	PAYMENTECH INC
206	NABISCO HOLDINGS CORP	334	STARMET CORP	505	OLYMPIC STEEL INC	733	GETTY IMAGES INC
207	ARCHER-DANIELS-MIDLAND CO	335	PHELPS DODGE CORP	506	KENT ELECTRONICS CORP	733	APPLIED GRAPHICS TECHNOL INC
207	OMEGA PROTEIN CORP	336	REYNOLDS METALS CO	507	WATSCO INC	733	ADVO INC
208	MONDAVI ROBERT CORP	339	LINDBERG CORP	508	JLK DIRECT DISTR INC	734	ROLLINS INC
209	WORTHINGTON FOODS INC	341	U S CAN CORP	509	HA2003 INC	734	HEALTHCARE SERVICES GROUP
211	LOEWS CORP	342	SNAP-ON INC	511	UNION CAMP CORP	735	UNITED RENTALS INC
212	GENERAL CIGAR HLDGS	343	EXCEL INDUSTRIES INC	512	BERGEN BRUNSWIG CORP	736	NORRELL CORP
213	UST INC	344	CAMERON ASHLEY BLDG PROD INC	513	OSHKOSH B'GOSH INC	737	ORACLE CORP
220	RUSSELL CORP	345	KAYNAR TECHNOLOGIES INC	514	U S FOODSERVICE INC	738	PROMUS HOTEL CORP
221	CROWN CRAFTS INC	346	TOWER AUTOMOTIVE INC	515	UNIVERSAL CORP/VA	751	BUDGET GROUP INC
221	GALEY & LORD INC	346	SHILOH INDUSTRIES INC	516	HANNA (M A) CO	752	CENTRAL PARKING CORP
222	QUAKER FABRIC CORP	346	ABC-NACO INC	517	SONAT INC	753	ANDERSONS INC
223	BURLINGTON INDUSTRIES INC	347	PRAXAIR INC	519	CONAGRA FOODS INC	754	UNITED ROAD SERVICES INC
224	DAN RIVER INC	348	STURM RUGER & CO INC	521	LOWES COMPANIES INC	762	COHR INC
225	RUSSELL CORP	349	AEROQUIP-VICKERS INC	523	SHERWIN-WILLIAMS CO	769	INNOVATIVE VALVE TECH INC
226	CONE MILLS CORP	351	BRIGGS & STRATTON	525	FASTENAL CO	781	PIXAR
227	SHAW INDUSTRIES INC	352	AGCO CORP	526	TRACTOR SUPPLY CO	782	KING WORLD PRODUCTIONS INC
228	UNIFI INC	353	BAKER HUGHES INC	527	CHAMPION ENTERPRISES INC	783	AMC ENTERTAINMENT INC -OLD
229	SYNTHETIC INDUSTRIES INC	354	KENNAMETAL INC	531	SEARS ROEBUCK & CO	784	HOLLYWOOD ENTERTAINMENT CORP
230	AUTHENTIC FITNESS	355	APPLIED MATERIALS INC	533	WAL-MART STORES INC	792	SFX ENTERTAINMENT INC-OLD
231	UNITOG CO	356	PALL CORP	539	ANDERSONS INC	793	AMF BOWLING INC
232	NAUTICA ENTERPRISES INC	357	QUANTUM CORP	541	ALBERTSON'S INC	794	CHAMPNSHIP AUTO RACING TEAM

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Appendix A. (Continued)

SIC	Company name	SIC	Company name	SIC	Company name	SIC	Company name
233	BEBE STORES INC	358	U S FILTER CORP	549	GENERAL NUTRITION COS	799	MGM RESORTS INTERNATIONAL
234	WARNACO GROUP INC	359	THERMO SENTRON INC	551	SONIC AUTOMOTIVE INC	801	PHYCOR INC
236	HAPPY KIDS INC	359	METTLER-TOLEDO INTL INC	551	GROUP 1 AUTOMOTIVE INC	802	MONARCH DENTAL CORP
238	TANDY BRANDS ACCESSORIES INC	361	LITTELFUSE INC	552	COPART INC	804	STRYKER CORP
239	WESTPOINT STEVENS INC	362	PENN ENGR & MFG CORP	553	AUTOZONE INC	805	BALANCED CARE CORP
241	U S TIMBERLANDS CO	363	WHIRLPOOL CORP	554	ULTRAMAR DIAMOND SHAMROCK	805	NEW AMER HEALTHCARE CORP
242	UNION CAMP CORP	364	LSI INDUSTRIES INC	555	TRAVIS BOATS & MOTORS INC	806	QUORUM HEALTH GROUP INC
243	TJ INTERNATIONAL INC	365	HARMAN INTERNATIONAL INDS	559	RDO EQUIPMENT CO	807	DIAGNOSTIC HEALTH SVCS INC
244	PALEX INC	366	TELLABS INC	560	TIMBERLAND CO	808	PEDIATRIC SVCS AMERICA INC
245	CENTEX CORP	367	INTEL CORP	561	K&G MENS CENTER INC	809	BEVERLY ENTERPRISES INC
249	USG CORP	369	ELECTRO SCIENTIFIC INDS INC	562	TALBOTS INC	821	CHILDRENS COMPREHENSIVE SVC
251	FURNITURE BRANDS INTL INC	371	GENTEX CORP	563	INTIMATE BRANDS INC	822	APOLLO EDUCATION GROUP INC
252	KNOLL INC	372	BOEING CO	564	CHILDRENS PLACE INC	824	COMPUTER LEARNING CTRS INC
252	MILLER (HERMAN) INC	373	HALTER M ARINE GROUP INC	565	ABERCROMBIE & FITCH	829	PROVANT INC
253	LEAR CORP	374	GREENBRIER COMPANIES INC	566	FINISH LINE INC	832	RES-CARE INC
254	LEGGETT & PLATT INC	375	CANNONDALE CORP	569	HOT TOPIC INC	833	RES-CARE INC
259	FALCON PRODUCTS INC	376	ORBITAL SCIENCES CORP	571	BED BATH & BEYOND INC	836	SUNRISE SENIOR LIVING INC
259	SHELBY WILLIAMS INDS INC	379	GENERAL DYNAMICS CORP	573	CIRCUIT CITY STORES INC	871	PEOPLES ENERGY CORP
261	BUCKEYE TECHNOLOGIES INC	381	BOEING CO	581	BRINKER INTL INC	872	INTL TELECOMM DATA SYSTM INC
262	CONSOLIDATED PAPERS INC	382	COGNEX CORP	591	RITE AID CORP	873	COVANCE INC
263	UNION CAMP CORP	384	ST JUDE MEDICAL INC	593	EZCORP INC	874	COAST DENTAL SERVICES INC
265	SONOCO PRODUCTS CO	385	OAKLEY INC	593	FUNCO INC	874	AMERICAN DENTAL PARTNERS INC
267	IVEX PACKAGING CORP	386	EASTMAN KODAK CO	594	TIFFANY & CO		
271	KNIGHT-RIDDER INC	387	MOVADO GROUP INC	596	AMAZON.COM INC		
272	CMP MEDIA INC	391	MICHAEL ANTHONY JEWELERS	598	AMERIGAS PARTNERS		
				INC			

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Table B.1. Calculation of Segment Status, Firm Status, and Status Inconsistency for *AT&T* and *Qwest Communication*

SIC code	Industry name	SE_{fit}	$\max(SE_{git})$	Segment status	Sale percentage	Firm status	Status inconsistency	No. of analysts
			AT&T					
737	Computer and data processing	2.250	11.438	0.197	0.065	0.681	0.128	20
481	Telephone communication	5.417	7.583	0.714	0.935	0.681	0.128	20
			Qwest communication					
481	Telephone communication	5.583	7.583	0.736	0.899	0.676	0.179	15
274	Miscellaneous publishing	1.000	7.000	0.143	0.101	0.676	0.179	15

Appendix B. Illustration of Status Measures in 1998

We illustrate the calculation of segment status, firms status, and status inconsistency of two major actors in telecommunication industry (SIC code 481): *AT&T* and *Qwest communication* (see Table B.1).

In 1998, there were 20 sell-side security analysts in total that covered *AT&T*, which operated in two industries. The expertise of each analyst in SIC code 481 was calculated as the number of firms that (s)he covered in 481 divided by the maximum number of firms covered by all analysts in 481. We then sum the expertise scores of the 20 analysts of *AT&T*, resulting in a score of 5.417 (SE_{fit}). In 481, the largest amount of expertise score ($\max(SE_{git}) = 7.583$) was accredited to *Intermedia Communications* (as a subsidiary of Verizon since 2001). Thus, the segment status of AT&T in 481 (SS_{fit}) was calculated as $SE_{fit}/\max(SE_{git}) = 0.714$ (ranging from zero to one). Similarly, *AT&T*'s status in 737 was 0.197.

AT&T's firm-level status in 1998 was calculated as the sales-weighted sum of segment status ($FS_{ft} = \sum_{i=1}^{I} SS_{fit} \times W_{fit}$): $0.065 \times 0.197 + 0.935 \times 0.714 = 0.681$. *AT&T*'s status inconsistency was measured as sales-weighted deviation of segment status

$$\left(SI_f = \sqrt[2]{\sum_{i=1}^{I} W_{fi} \times (SS_{fi} - FS_f)^2}\right):$$
$$\sqrt[2]{0.065 \times (0.197 - 0.681)^2 + 0.935 \times (0.714 - 0.681)^2}$$
$$= 0.128.$$

For comparison, we illustrated the measures for *Qwest*, who had comparable segment status in 481 and firm status with *AT&T*, but a larger (+54%) status inconsistency. While *AT&T* continued operating in both 481 and 737 through 2014, *Qwest* ceased its operation in 274 in 2000. This may give a preliminary indication that status inconsistency triggers firms to divest low-status segments.

Endnotes

[1] It is beyond the scope of our study to examine the antecedents of diversification and diversification-based status inconsistency. Our theory development and empirical analysis are conditional on firms being diversified and operating in at least two different business segments (see Zuckerman 2000).

[2] Status inconsistency creates identity ambiguity, but it is still possible to talk about high- and low-status firms. Depending on the empirical context, the status of the firm itself may be based on the average of the status of the units within the firm, the status of the dominant unit within the firm, the status of the of the highest- or lowest-status unit, or some other combination. Rather than simply affecting the status of a firm and its individual units, status inconsistency allows for different justifiable narratives about firm status and unit status.

[3] Status inconsistency is different from status differential. Status inconsistency is an intra-actor concept that refers to the inconsistent ranking of the different attributes of an actor (Lenski 1954), whereas status differential is an inter-actor concept that refers to the different status of an actor and its partners (Shen et al. 2014). Unlike status inconsistency, high-status actors may benefit from status differentials because they can ensure greater efforts from their low-status partners (Castellucci and Ertug 2010, Homans 1974).

[4] Our empirical approach is robust. First, instead of treating the different divestiture types as an ordinal variable, we also treated them as a polychotomous variables and used multinomial regression. We collapsed the status inconsistency decreasing and status inconsistency neutral divestitures to one group because the multinomial regression models would not converge with the status inconsistency neutral group kept separate. The likely reason is that status inconsistency could not be decreased further in basically any of the status-inconsistency neutral cases. Status inconsistency in these cases was already zero in year $t-1$, which means that there is no (or very little) variation in the dependent variable in these cases. Second, instead of using clustered robust standard errors in the ordinal and multinomial regression models, we also used fixed-effects ordered logit (Baetschmann et al. 2015, Tilcsik 2014) and fixed-effects multinomial logit (Pforr 2014) regressions (we had again to collapse the status inconsistency decreasing and status inconsistency neutral divestitures to one group). The results were similar to the reported results in all of the aforementioned cases.

[5] It is also possible to account for unobservable firm-level heterogeneity with stratification. In unreported analyses, we stratify Cox models with a stratum for each firm, and find similar results. The stratified Cox approach requires a reasonable number of events within each stratum (Vittinghoff et al. 2011), however, and the precision of estimated coefficients may be diminished if there are a large number of strata (Therneau and Grambsch 2013). Our segment-level samples include 2,249 firms (or strata) and only 1,028 divestiture events, meaning that there is no event in many strata. Stratification, which only emphasizes within-stratum comparisons, therefore results in information loss. Following prior research (Sgourev and Zuckerman 2011, Piao and Zajac 2016), we choose therefore to report clustered-robust standard errors to account for heteroskedasticity, and only use stratified models as a robustness check.

[6] In unreported analyses, we also identify the first appearance with data after 1997, and find similar results.

[7] Segment status could also be measured by the number of analysts specialized in the industry that covers the firm. Our measure is refined by calculating the industry expertise of analysts rather than

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simply categorizing analysts as industry experts or not. Our measure is therefore more precise because it considers industry expertise in multiple industries rather than simply assuming analysts are experts in one industry only. If we simply categorize analysts as industry experts or not, we ignore the heterogeneity among experts in terms of their expertise and the added status that comes from being covered by the analysts with the most industry expertise. Regardless, the two measures are highly correlated.

[8] Although subtracting firm-level status from segment-level status has been used in nested models (Zuckerman 2000), it could potentially bias the estimated firm status coefficient because firm-level status appears twice on the right-hand side. To check the robustness of our findings, we removed segment status when estimating firm status and found similar results. We also replaced the expertise-based firm status measure with the number of analysts and found the results similar once again.

[9] We also use an alternative measure for segment relatedness that captures the relatedness of a segment to the primary business of a particular firm (Bergh 1997). This measure defines a segment as related if it shares the same two-digit SIC code as the primary business of a firm (the segment with highest proportion of sales). We find similar results using this alternative measure.

[10] The number of segments is different from firm concentration that captures business diversification across segments. Nevertheless, considering the high correlation between them, we dropped firm concentration in unreported analysis and found highly consistent results.

[11] We used a variance inflation (VIF) tests to ensure that our results are not biased by multicollinearity (Pollock et al. 2015). The mean VIF score is 1.49, with firm status having the largest VIF score of 2.10 (firm status inconsistency VIF is 1.95), which means that all VIF scores are below the recommended conservative thresholds of five. The conditioning number is 19.7, which is well below the conservative threshold of 30 (Belsley et al. 2005). The VIF tests and the conditioning number provide, in other words, initial evidence that multicollinearity is not a major concern in our models. In an unreported analysis, we nevertheless run a simpler model with only control variables and firm status inconsistency, excluding firm status. We find that the main effect of firm status inconsistency stays positive and significant ($\beta = 2.64; p < 0.001$).

[12] We omit firm status inconsistency in these analyses because it is used to calculate segment status inconsistency. The results are basically similar in unreported analyses that include firm status inconsistency.

[13] Our analysis makes it less likely that the easiness-of-divestiture is the only explanation for our results. It is still possible that both mechanisms work together to determine the divestiture probabilities of high-status firms, a possibility that our data do not allow us to rule out.

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