



# Status Inconsistency and Strategic Behavior: U.S. Venture Capital Investments, 1981 to 2002\*

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*This paper explores the behavioral consequences of organizational status inconsistency. It first distinguishes between achievement status, which signifies how much a social actor achieves, and reference status, which is formed by how much others achieve around a social actor. It then hypothesizes that the more an achievement status falls behind a reference status, the more likely organizational strategies will deviate from modal strategies. It does not matter if achievement status is higher than reference status. The hypothesis is tested by examining the investment behaviors of venture capital (VC) firms in the U.S. from 1981 to 2002. The VC firms' coinvestment relations allow us to measure their coinvesting team status as a reference status and their role status within the team as an achievement status. It is confirmed that role status lagging behind team status leads to less modal investment behaviors, whereas team status lagging behind role status has no effect. The contributions and implications of this asymmetric effect of status inconsistency are discussed.*

**Keywords:** status inconsistency, venture capital, reference group, status

Social actors are status-conscious. An important piece of evidence for this proposition is the effect of status inconsistency on psychological stress, dissatisfaction, or political liberalism, which was widely studied and tested in sociology from the late 1950s through the 1970s. Led by Lenski (1954; 1967), authors of a series of studies argued that status inconsistency, such as low occupational status in combination with high ethnic/racial status, increases psychological

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stress or dissatisfaction and leads to liberal, deviant attitudes. Recently, it has also been reported that status inconsistency has an effect on lifestyles (Nam 2008). All these studies explore how status inconsistency affects non-conforming attitudes (i.e., dissatisfaction and liberalism) but have not examined those attitudes eventually lead to certain social behaviors.<sup>1</sup> This paper aims to explain how status inconsistency affects social actors' behaviors. In addition, this paper aims to expand the scope of social actors in the literature of status inconsistency from human agents to corporate actors, given the significance of corporate actors in the modern society (Coleman 1982). To my best knowledge, the significance of status-inconsistency has not been studied in the context of organizational behaviors yet and this paper aims to show how organizational status inconsistency affects the strategic behaviors of organizations.

Without doubt, formal organizations are different from human agents. Organizations themselves are not able to be psychologically distressed, unsatisfied, or politically liberal as are human agents, but instead are goal-oriented and strategically rational (e.g., March 1988; Thompson 1967). At the same time, it is also well established that organizational rationality is bounded by imperfect information and "satisficing" rather than optimizing (March and Simon 1970: 100-1). Imperfect strategies are inevitable as long as organizational behaviors are driven by administrative people (March and Simon 1970: 93), and organizational structures are significantly shaped by human managers (e.g., Chandler 1977).

This paper examines venture capital (VC) firms' investment strategies as social behaviors influenced by status inconsistency. I argue that economic organizations' behaviors are shaped by status-inconsistency and thus socially embedded in a way similar to that of humans. In testing my arguments, I take into account the differences between corporate and human actors. First, the investment behaviors under examination are strategic and different from psychological stress, political orientation, and ethical deviance, which have been studied as outcomes of human status-inconsistency. I will examine how investment strategies become more deviant from common strategies when status-inconsistency increases. Second, if human status-inconsistency has been normally captured by discrepancies among educational, gender, ethnic, and economic statuses, I observe discrepancies between the team status and role status of VC firms when they form a team for coinvestment syndicates. It will be shown that a VC investment firm tries new, deviant investments when its role status lags behind its team status, but not when its team status lags behind its role status. In other words, being a member of a strong team as a role-player, in contrast with being the leader of a weak team, drives you to explore new possibilities. This observation at the organizational level, however, is still relevant to the study of human agents, as will be discussed at the end of this paper.

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<sup>1</sup> There are a few exceptional efforts. Friedenberg (1971), for example, explores how status inconsistency affects students' protest.

## THEORIES AND HYPOTHESES

Status is a well-recognized, significant predictor for performance-related outcomes in economic markets (e.g., Podolny 1993; 2001). Phillips and Zuckerman (2001) expanded its significance to behavioral outcomes by successfully expanding the scope of middle-status conformity from human behavior in small groups (Homans 1961) to corporate behavior in macro-market systems. They observed that middle-status law firms in Silicon Valley are least likely to practice family law. Note that providing family law services is a deviant practice among law firms who work mainly in business law. Middle-status law firms are worried most about degrading their status by practicing family law, while high-status firms are protected from this form of degradation and low-status firms have nothing to lose (Phillips and Zuckerman 2001). This paper further expands Phillips and Zuckerman's (2001) study from examining the main effects of status to examining the effect of status inconsistency on organizational strategic behaviors.

### Deviation versus Modality

Before exploring the behavioral implications of status inconsistency, it is needed to clarify what is meant by deviant behavior and deviational behavior. Deviant behavior or innovation in sociology means any human behavior that "departs from institutionalized norms" (Merton 1968: 203). Institutionalized norms emerge from social behavior, are expected to be followed, and entail sanctions if not followed (Homans 1950: 122-5). Conformity is the opposite of deviance. If deviance and conformity entail negative and positive social sanctions, respectively, *deviation* and *modality* do not necessarily entail any social sanctions. A modal behavior is a common behavior in a social system in terms of frequency. A deviational behavior is not. A deviational behavior either can or cannot lead to social sanctions. In this paper, I am interested in how status inconsistency affects deviational behaviors, more inclusive than deviant behaviors.

### Status Inconsistency between Reference and Achievement Statuses

Studies of status inconsistency have examined inconsistencies between occupational and socio-religious status at the country level (Lanski 1967), among occupation, education, and income at the community level (Bauman 1968), and between ethno-religious and education status at the city level (Laumann and Segal 1971). Studies on these social statuses, however, have some limitations.

First, most studies of status inconsistency have tested its effect on psychological propensity and political opinion with regard to social changes, rather than on social behavior per se. This is understandable because large-scale survey data cannot provide direct observations of

behavior directed toward social change. Studies of voting behavior (Lenski 1967) may be the best available research on behavior directed toward social change since Sorokin's (1947) exceptional early research about historical revolution as a form of collective action aimed at recovering status consistency. Moving to an economic market where we have access to behavioral outcomes, this paper will examine the effect of status inconsistency directly on behavior.

Second and more important, many studies of status inconsistency have overlooked key insights from small-group studies by focusing on social status at the macro-level. In fact, a few studies have examined inconsistency among small-scale status dimensions in the workplace, such as inconsistency between responsibility and payment (Homans 1962: 91-102) and between competence and payment (Evan and Simmons 1969). Examinations of those smaller groups serve to remind us of the often forgotten causal link between status inconsistency and psychological stress, dissatisfaction, or the propensity to deviate. The link is that status inconsistency is stressful or dissatisfying because of relative deprivation.

Merton and Rossi (1950) articulated a theory of the reference group in explaining relative deprivation. People's self-evaluation is relative to their evaluation of others. Those others are called the "reference group," and people feel deprived when they think they are inferior to their reference group. There are innumerable groups around which reference can be framed (Merton and Rossi 1950). It can be occupational groups, membership associations, neighborhoods, and peer groups. Whatever those groups are, an actor's reference groups are the groups that he or she belongs to, observes, or interacts with. I will call the status of a reference group a *reference status*. Within a reference group, an actor's *achievement status* will be formed by deference paid to him or her by other members (Gould 2002) or by material rewards (Evan and Simmons 1969). Hence, relative deprivation arises when an achievement status is lower than a reference status.

An important implication of this line of argument is the direction of status inconsistency. If an actor feels overcompensated, the inconsistency does not matter much. What really matters is under-compensation. Evidence of this asymmetry is, though not specifically framed, ubiquitous in studies of status inconsistency (Hornung 1977; House and Harkins 1975; Jackson 1962). Examining the Customers' Accounting Department in a company, Homans found that ledger clerks complained about their pay, which was equal to that of cash posters, whose responsibility and seniority were lower than those of ledger clerks (Homans 1962: 93). Cash posters, however, did not complain. Similarly, in another study, an experimental group whose payment was lower than its official competence or authority confirmed the effect of status inconsistency, which did not exist for another, overpaid group (Evan and Simmons 1969). In summary, both studies on status inconsistency, though they did not explicitly state it, found one-way effects of status inconsistency: status inconsistency has an effect only when payment status is lower than the status of reference group defined by authority, seniority, or competence in the workplace.

Friedenberg's (1971) comparison of high school and college students' protest patterns, though not explicitly framed around status inconsistency, is a valuable example of the directional effect of status inconsistency on behavioral outcome. "Lower-class resentment" is not an important factor in college students' protests (in contrast with high school students' protests) because college students with lower-class origins tend to be satisfied with their entrance to college and tend to become conservative (Friedenberg 1971). In terms of status inconsistency, their achievement status (i.e., entering college) is higher than their reference status (lower-class origin), which leads to a lower propensity to protest.

In summary, when an achievement status is lower than a reference status, an actor experiences under-compensation, feels dissatisfied, and is therefore likely to attempt to disrupt the *status quo*. This attempt is by definition deviational behavior. On this basis, a hypothesis for the directional effect of status inconsistency is formed as follows:

*Hypothesis for status inconsistency: the more an achievement status falls behind a reference status, the more likely one's behavior will deviate from modal behavior.*

Note that in this hypothesis, an achievement status that is higher than a reference status has no effect on deviation, as explained earlier.

Deviational behavior tends to result in losses on average, but in the actor's mind they are worth trying. The rationality in this mechanism is comparable to that of prospect theory, which found that people tend to choose uncertain gains in combination with large likely losses rather than choose certain small losses (Bothner et al. 2007; Kahneman and Tversky 1979). Similarly, an actor in a status inconsistent position hates that he or she is being under-compensated and is likely to deviate from the status quo in spite of the negative average outcomes of the deviation. In this regard, the proposed hypothesis extends the line of argument developed by decision-making theorists. Various studies in decision-making theory have shown that organizational performance lagging behind a reference point causes risky organizational behaviors (see March 1988; March and Shapira 1987; 1992). The psychological mechanism underlying my hypothesis and decision-making theory is decision-makers' aspiration, or relative deprivation in other words, caused by the discrepancy between one's reality and its reference.

## METHODS AND DATA

### Specification and Interpretation of Status Inconsistency

Estimating the effect of status inconsistency is conceptually simple but analytically complicated. In estimating the effect of inconsistency between two dimensions of status, the main effects of both dimensions (let's call them S1 and S2) cannot be controlled at the same time (see Hope

1975 for details). Technically speaking, a regression model cannot estimate the two main effects (i.e.,  $S1$  and  $S2$ ), and an inconsistency effect (i.e.,  $S1 - S2$ ) at the same time, because the third variable is a linear combination of the first two.

How then to avoid the linear dependence of status inconsistency on the two status dimensions? One method is to specify a status inconsistency that is not a linear combination of the two statuses. The most frequently specified form is the absolute value,  $|S1 - S2|$ . This specification, however, assumes that status inconsistency has a symmetrical effect, regardless of the direction of inconsistency, which means that such a model cannot test the proposed hypothesis for status inconsistency with directionality. A second method is to use dummy specifications for both statuses and status inconsistency (Horan 1971). This method avoids the linear dependence problem but requires complicated interpretations of status inconsistency.

These two methods, though free from technical overspecification, are still subject to “substantive overspecification.” As long as two statuses  $S1$  and  $S2$  are controlled or fixed, we cannot give any variation to the difference between the two statuses that is also fixed. In order to solve this dilemma, Hope (1975) suggested a diamond model in which an average status,  $S1 + S2$ , is controlled to allow variations in  $S1 - S2$  while  $S1 + S2$  is fixed. This third method, however, requires a theoretical rationale for assuming  $S1 + S2$  as one underlying dimension of the two observed statuses. A similar theoretical justification is required when we control either  $S1$  or  $S2$  only for the estimation of  $S1 - S2$ .

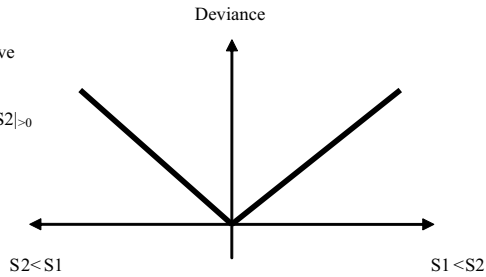
In summary, there is a tradeoff between different solutions to the specification problem. Controlling both statuses attempts to test the net effect of status inconsistency at the expense of its substantive meaning. Controlling one particular status or an average status makes the estimated effect of status inconsistency meaningful but imposes a strong assumption on the main effect. This paper takes an eclectic and conservative route and examines how robust the effect of status inconsistency is across different model specifications by performing the following three steps. First, I will specify the main effects by using dummies (five dummies for six categories of each status dimension among VC firms) in order to minimize the problem of linear dependence and to remove any restriction on the shape of the main effects. Second, I will define half-dummy-and-half-continuous variables for status inconsistency in order to test the hypothesized asymmetric effects of status inconsistency. Third, I will examine how robust the effects of status inconsistency are across various models with different specifications of the main effects. The goal of those various steps is to reach an honest and interpretable picture of status inconsistency that depends little on technical specifications.

For the second step of variable construction, I create two separate measures for status inconsistency in order to test its effect with directionality or asymmetry. Specifically, two variables,  $S2 - S1_{>0}$  and  $S1 - S2_{>0}$ , are defined such that:

**Figure 1.** Three Alternative Effects of Status Inconsistency on Deviance

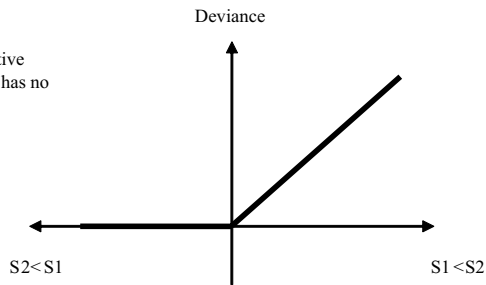
a) Symmetric:

$|S2 - S1|$  has a positive effect.  
Alternatively, both  $S2 - S1 > 0$  and  $S1 - S2 > 0$  have positive effects.



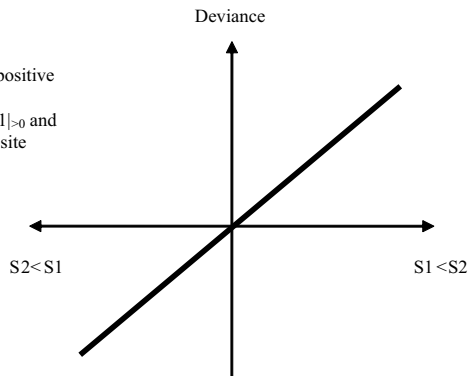
b) Asymmetric:

$S2 - S1 > 0$  has a positive effect and  $S1 - S2 > 0$  has no effect.



c) Linear:

$S2 - S1$  has either a positive or a negative effect.  
Alternatively,  $S2 - S1 > 0$  and  $S1 - S2 > 0$  have opposite effects.



$$S2 - S1|_{>0} = S2 - S1 \quad \text{when } S2 - S1 > 0$$

$$= 0 \quad \text{otherwise.}$$

$$S1 - S2|_{>0} = S1 - S2 \quad \text{when } S1 - S2 > 0$$

$$= 0 \quad \text{otherwise.}$$

Generally speaking,  $f|_{>0}$  takes positive values of  $f$  and assigns zero for negative values.

If we set  $S1$  as the achievement status and  $S2$  the reference status, the proposed hypothesis predicts the positive (or negative) effect of  $S2 - S1|_{>0}$  on deviance (or modality), while implying that  $S1 - S2|_{>0}$  has no effect.

Figure 1 compares three alternative effects of status inconsistency on deviation. The first graph represents the symmetric effect of status inconsistency: absolute difference in any direction, or  $|S2 - S1|$ , will increase deviation behavior. The second graph visualizes what is hypothesized in this study by the asymmetric effect of status inconsistency. A lagging achievement status has a positive effect on deviation (the right side of the graph), but a lagging reference status has no effects (the left side of the graph). The third one illustrates a linear effect, or a straightforward effect, of  $S2 - S1$ . Note that  $S2 - S1|_{>0}$  and  $S1 - S2|_{>0}$  can estimate all three possibilities, as noted in Figure 1, whereas neither  $|S2 - S1|$  nor  $S2 - S1$  can estimate the other two alternatives except a targeted effect. In summary, the statistical results of  $S2 - S1|_{>0}$  and  $S1 - S2|_{>0}$  will test not only the proposed hypothesis, but also the two alternatives.

### Team Status and Role Status in the VC Market

The empirical context to test the above hypothesis is the U.S. venture capital market where organizational status is relatively well-defined by venture coinvestments. The VC market has attracted the attention of economic sociologists (Podolny 2001; Sorenson and Stuart 2001; Yee et al. 2003). They have studied how current social communication (Sorenson and Stuart 2001) or reciprocity (Bothner et al. 2004) shapes patterns of future coinvestments among venture capitalists or how their social status affects their sorting into different market sectors of various levels of uncertainty (Podolny 2001).

A common analytic tool across these studies is the use of coinvestment networks among VC firms to examine communication, reciprocity, or status. In the VC market, which is characterized by considerable uncertainty and risk, social status evolving from coinvestment transactions plays a significant role in reducing uncertainty in the pursuit of profits (Podolny 2001; Sorenson and Stuart 2001). If status inconsistency is found to encourage deviational behaviors in the uncertainty-prevailing VC market, it will be a strong support for my hypothesis because deviational behaviors in the VC market increase uncertainty considerably and, therefore, tend to be avoided. Most studies utilized the VentureXpert database assembled by Thomson Financial, which enables the user to construct the coinvestment networks among VC firms in the United States. Using the same data source, I analyze 3,821 VC firms in the United States over twenty-two years from 1981 through 2002, which are equivalent to 18,263 firm-year observations.

VC firms' status has been measured by Bonacich's centrality (Bonacich 1987), based on coinvestment relations in many studies (e.g., Podolny 2001; Sorenson and Stuart 2001). Formally, a VC firm  $i$ 's status at year  $t$  is given by:

$$c_{it} = \sum_j (\alpha + \beta_{c_{jt}}) R_{ijt}$$

where  $\alpha$  is a scaling parameter such that  $\sum_{j=1}^{N(t)} c_{jt}^2 = N(t)$  and  $N(t)$  is the total number of VC firms

at year  $t$ , or the size of matrix  $R_t$ . Specifically, the centrality vector for year  $t$  is standardized with respect to the global network size so that a centrality of 1 means an average level of centrality (Bonacich 1987: 1173). The selection of  $\beta$  determines the discount ratio for indirect connections to alters (Bonacich 1987: 1171-3). For my study, centrality values are not sensitive to the choice of  $\beta$ , and I chose  $\beta = 3/4 (1/\max_k \lambda_k)$  where  $\lambda_k$  are eigenvalues of  $R_t$ , following a conventional choice (Podolny 2001; Sorenson and Stuart 2001).  $R_{ijt}$  is the number of target VC companies in which firm  $i$  and firm  $j$  coinvested during year  $t$ . How to specify  $R_{ijt}$  determines the nature of status: if  $R_{ijt}$  simply counts the number of coinvested targets,  $c_{it}$  indicates  $i$ 's *team status* at year  $t$ ; if  $R_{ijt}$  counts the number of coinvested targets by  $i$ 's leading over  $j$ ,  $c_{it}$  indicates  $i$ 's *role status*. Reasons are explicated hereafter.

Bonacich's centrality illustrates the sociological idea that status emerges from social interactions and mutual deference, because one's status, according to Bonacich's centrality, is defined by those with whom one is interacting. An implicit assumption here is that coinvestment-interactions between  $i$  and  $j$  are equal, or that  $R_{ijt}$  is symmetric. A status score derived from Bonacich's centrality reflects not only the number of VC firms with which a focal VC firm is coinvesting, but also the quality of those coinvesting partners. In this way, a high status score for a VC firm  $i$  implies that the firm belongs to strong investment teams. Therefore, I will call this score  $i$ 's *team status*. Note that a firm  $i$  does not necessarily belong to one team but normally to multiple teams and  $i$ 's score for team status reflects the average status of those multiple teams. I argue that this team status is the reference status in the VC market. Without doubt, there could be numerous types of reference (Merton and Rossi 1950) but I believe that team status is a primary reference status because one's coinvestment team members are likely to form its reference group, and the overall status of my team members is likely to shape my expectations and set my reference status.

How then can we measure an individual member's achievement status in coinvesting teams? VentureXpert allows us to identify a leader of a coinvestment syndicate among VC firms. A VC syndicate typically consists of a leading firm and other member firms that are invited to coinvest in a specific target company. The invitees are recruited through multiple rounds of fund-raising for the target, and they play specific roles in the syndicate such as providing risk assessment, management, or monetary support. Teaming with high status VC firms sends good signals to potential investors. However, being a constant role-player rather than a leader is not a good signal at all. This type of status inconsistency, namely, limited roles in high-status syndicates can encourage a VC firm to deviate from its current investment patterns.

I define a VC firm as the leader of a syndicate if the firm is the only member during the first round of investment in a target company or if it is a member of the first round and has participated in most rounds thereafter. In this way, I can obtain an asymmetric leadership matrix among VC firms for a given year  $t$ , say  $R_t$ , whose  $(i, j)$ -th element,  $R_{ijt}$ , is the number of

**Table 1.** Cross-Tabulation of the Two Dimensions of Status

Team Status	Role Status						Total
	LL (= 0)	UL (< .2)	LM (< 1)	UM (< 2)	LU (< 5)	UU ( $\geq 5$ )	
Lower-lower (= 0)	<b>1672</b>	<b>0</b>	0	0	0	0	1672
Upper-lower (< .2)	<b>4552</b>	<b>3197</b>	332	9	0	0	8090
Lower-middle (< 1)	1822	2545	<b>1097</b>	<b>329</b>	68	0	5861
Upper-middle (< 2)	251	416	<b>403</b>	<b>266</b>	170	8	1514
Lower-upper (< 5)	71	123	180	168	<b>291</b>	<b>129</b>	962
Upper-upper ( $\geq 5$ )	5	12	11	14	<b>26</b>	<b>96</b>	164
Total	8373	6293	2023	786	555	233	18263

targets in which firm  $i$  and firm  $j$  coinvested during year  $t$  by  $i$ 's leading over  $j$ . In other words,  $R_{ijt}$  represents the strength of  $i$ 's leadership over  $j$ . When I compute Bonacich's centrality on the basis of this asymmetric matrix, a focal firm's status is high not only when it leads many other firms, but also when it leads other strong leaders. This centrality score will be called role status and is a measure for achievement status in VC investment. Among those who are coinvesting (and thus interacting with one another), a leader has the following characteristics: it is highly visible, it runs the syndicate, and it will earn the most profit when the target company goes public. It is a strong signal for achievement.

Both status measures, however, are extremely skewed at the top, and scores for high-status firms likely inflate their status. To correct this possible inflation, I applied cutpoints to make the measures into six-point scales. Table 1 shows the joint distribution of firm-year observations between the two statuses during the twenty-two years (from 1981 through 2002) under analysis. In Table 1, below-diagonal cells represent lagged role status, and above-diagonal cells represent lagged team status. The two measures for status inconsistency, lagged role status, or  $S2 - S1|_{>0}$ , and lagged team status, or  $S1 - S2|_{>0}$ , are generated by these two six-point scales of status. Applying my hypothesis to the status inconsistency in VC investments, I can predict that role status lagging behind team status, not the other way around, will encourage deviational investment strategies. I now need to specify what deviational behaviors are with regard to VC investments.

### Investment Behavior in the VC Market

A venture company comprises both finance (i.e., the investing VC firms) and technology (the target company in which VC firms invest) aspects. In growing a venture company, VC firms cannot assess the financial risks of an investment without assessing the technological uncertainty of the target company. Because of the high technological uncertainty inherent to the VC market, VC firms tend to focus on specific financing stages and specific industries for investment. This tendency runs counter to the diversification strategy for risk management in

typical financial markets (Norton and Tenenbaum 1993).

Because of this key feature of VC investment, this study examines at which stage (finance) and on which industry (technology) a VC firm focuses, in order to identify investment behavior. I use five categories for financing stages (the startup/seed, early, expansion, later, and buyout/acquisition stages) and ten categories for industries.<sup>2</sup> Then I define the focus stage and industry of a VC firm at year  $t$  as the most frequently invested stage and industry in terms of the number of financed rounds by the firm during the year.<sup>3</sup>

Once we identify a firm's focus stage and industry at year  $t$ , I can define its degree of modality at  $t$  in relation to  $t - 1$ . Let  $N_{it-1}$  be the number of VC firms whose focus stage and industry were the same with those of firm  $i$  at  $t - 1$ . Among those firms, let  $f_{it}$  be the number of VC firms that still share a focus stage and industry with firm  $i$  at  $t$ . Thus, the degree of firm  $i$ 's modality at  $t$  is:

$$Modality_{it} = \frac{f_{it}}{N_{it-1}}$$

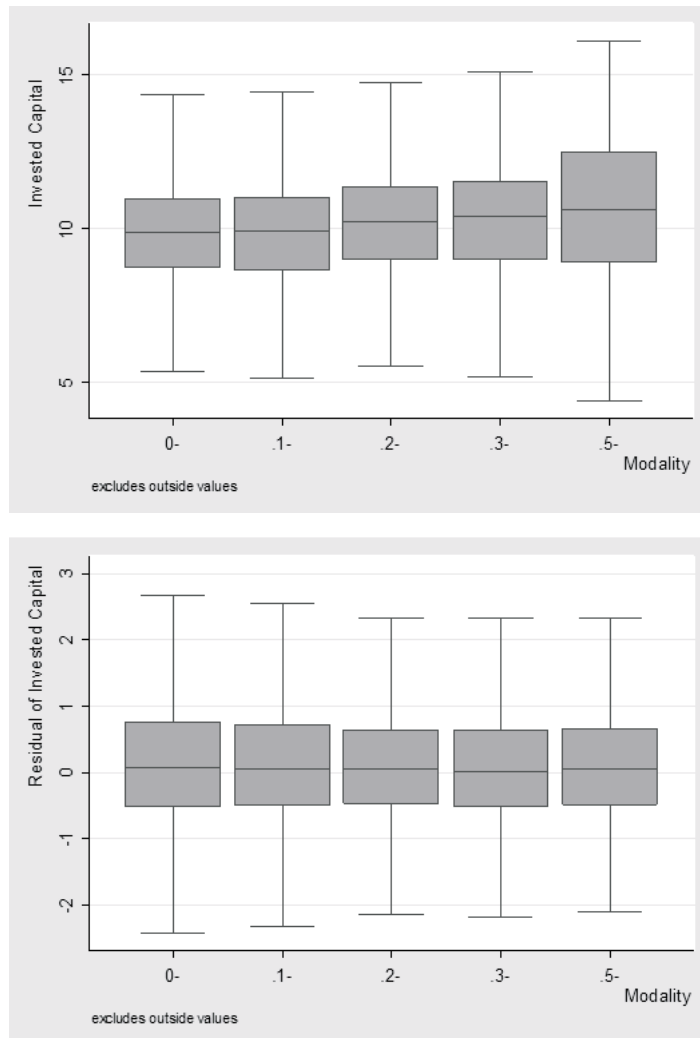
where the sum of  $f_{it}$  across all stages and industries is equal to  $N_{it-1}$ . This measure calculates the proportion of VC firms sharing the same strategy as firm  $i$  at  $t$  among those at  $t - 1$ . Thus, the measure quantifies how frequent, or modal, firm  $i$ 's strategic behavior is, given its past behavior. More important,  $Modality_{it}$  has a high value even when firm  $i$  changes its focus stage or industry from  $t - 1$ , as long as many other firms make the same change. In this way, my measure for modality does not confound modality with inertia.

It will be worth examining if the definition of modality implies conformity. In other words, I can examine if lowered values of  $Modality_{it}$  hurt the legitimacy of investment behaviors and cause any penalty to a VC firm  $i$ . The ultimate reward to VC investment firms is arguably the total amount of capital under management, which not only is evidence of its performance, but also determines the amount of management fees, regardless of its targets' success or failure (Schilit and Willig 1996). Hence, it can be expected that deviance will lead to less capital under management because investors and potential partners who provide capital to VC firms will doubt a firm's strategy and may decline to provide capital if the firm invests very differently from the majority of firms that have behaved strategically in the same way at  $t - 1$  and survived. Some readers may conjecture, along these lines, that "venturesome" investors will

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<sup>2</sup> These ten industry categories, provided by VentureXpert, are: Communications and Media, Computer Hardware, Computer Software and Services, Internet-Specific, Semiconductors/Other Electronics, Biotechnology, Medical/Health, Consumer-Related, Industrial/Energy, and Other Products.

<sup>3</sup> If two stages or industries have the same number of financed rounds, I compare the overall number of rounds invested by VC firms during the year at the two stages or in the two industries and choose for the focus stage or industry the one that is less frequently invested in by all VC firms. In other words, the focus stage or industry of a firm is the one in which the firm invested relatively more than other VC firms did.

**Figure 2.** Box-Plots for Invested Capital and Its Residuals vs. Levels of Modality

prefer pioneering firms and give money to deviant firms. This guess, however, even if it was true at one time, is no longer true in the contemporary VC market, where money has been consistently moving away from the startup/seed stage to later stages for expansion and buyout/acquisition.

The data source for this study, VentureXpert, does not provide longitudinal information on the capital under management for each firm, but allows a good proxy for it: the total capital raised for each round of investment. Even though it is unknown what proportion of the total capital each firm invested in a round for a target, it can be reasonably assumed that a firm's

total capital under management at year  $t$  is roughly proportional to the sum of total capital invested in the rounds in which the firm participated during year  $t$ . On this assumption, the total capital invested in the participated rounds was regressed on  $Modality_{it}$  and a full set of controls, much as in Model 2 in Table 3.<sup>4</sup> Figure 2 presents two box-plots: a box-plot of logged total capital across six different levels of modality before the regression and that of residuals after the model estimation.

The first box-plot shows that both the median and variation of total invested capital increase in degrees of modality. The significant effect of modality in the regression confirms the increasing median of invested capital across modality ( $p$ -value  $< .000$ ). To put it another way, more deviant strategies result in less total capital invested. This confirms that deviance entails a penalty. More interestingly, the second box-plot reveals that the residuals after the model estimation are larger for more deviant subgroups. This pattern is the opposite of that in the first graph and implies that, for deviant cases, variations in the total invested capital tend to be determined more by chance or tend more often to remain unexplained than in modal cases. This observation confirms that increased uncertainty follows from deviance. In conclusion, the deviation versus modality continuum, defined by  $Modality_{it}$ , also implies deviance versus conformity. VC investment firms seem to be normatively pressed toward modal investment strategies because deviational strategies result in less lucrative and more uncertain outcomes. It is also notable that an exploratory analysis found that deviation defined by  $Modality_{it}$  tends to hurt firms' status for the upper two-thirds of status distribution.<sup>5</sup>

## TESTS AND RESULTS

### Statistical Model and Control Variables

The statistical model I will use for empirical tests is the fixed-effect regression of the form:

$$\begin{aligned} \ln(Modality_{it+1}) = & \alpha_i + \rho \cdot \ln(Modality_{it}) \\ & + \sum a_k DS1_{ik} + \sum b_k DS2_{ik} + [\theta_1 (S1_i - S2_i |_{>0}) + \theta_2 (S2_i - S1_i |_{>0})] \\ & + \beta X_t + \gamma Z_{it} + \varepsilon_{it} \end{aligned}$$

where  $\alpha_i$  is a firm-fixed effect and controls any unobserved firm-specific heterogeneity. Therefore, any estimated coefficient should be interpreted as the marginal change of the

<sup>4</sup> A firm-fixed effect regression is run for logged total invested capital at  $t + 1$ . Predictors include a lagged term for the dependent variable, logged  $Modality_{it} + 1$ , and all the controls at  $t$  from dummies for both statuses to the year dummies, which are explained in the next section and introduced in Model 2 in Table 3. Results can be provided by the author upon request.

<sup>5</sup> Analysis results can be provided by the author upon request.

dependent variable in response to a unit change of a predictor “for any given firm” rather than interpreted as the difference between the two firms as distinguished by a unit difference of the predictor.  $X_t$  consists of dummies for each of the 22 years because VC investments are sensitive to changes in the overall economy from year to year. Thus,  $X_t$  aims to control year-specific heterogeneity.

The main effect of status is not hypothesized but freely estimated by dummy specifications for the six status categories,  $DS1_k$  for role status and  $DS2_k$  for team status ( $k = 2, 3, \dots, 6$ ). *Ad hoc* explanations for their estimated effects will be provided in the discussion. It will be enough to note here that the main purpose of this study is not to predict the main effect of each status. When status inconsistency is tested by the two variables  $S1 - S2|_{>0}$  and  $S2 - S1|_{>0}$ , both groups of status dummies would not be controlled at the same time because of the overspecification problem.<sup>6</sup> Instead, I will try various dummy-specifications to determine the main effect of status, as mentioned previously. First, I will control dummies for the average of the two centrality scores for team status and role status. This model will be the central model for my hypothesis test (i.e., Model 2 in Table 3) because this model does not pay preferential attention to either status. Additionally, I can control dummies for either status (i.e., Model 3 and Model 4 in Table 3). In summary, we will see how robust the estimated effects of  $S1 - S2|_{>0}$  ( $= \theta_1$ ) and  $S2 - S1|_{>0}$  ( $= \theta_2$ ) are across three specifications of main effects. The proposed hypothesis predicts that lagged role status ( $S2 - S1|_{>0}$ ) will have a negative effect on modality and a better role status will have a negligible effect ( $S1 - S2|_{>0}$ ). Formally, we expect  $\theta_2 < 0$  and  $\theta_1 = 0$ .

$Z_{it}$  includes various time-varying characteristics for a VC firm  $i$ . First of all, the focus stage and focus industry of firm  $i$  at  $t$  are controlled by dummy variables, because certain stages or industries may require more conservative or modal investments than others.  $Z_{it}$  also includes the number of invested stages for controlling risk management by financial diversification and the number of invested industries for propensity to explore. The logged number of target companies invested by firm  $i$  during year  $t$  is a key variable to controlling time-varying investment size. Controlling for size is especially important because centrality measures reflect not only which firms (i.e., quality) but also how many (i.e., size) firms the focal firm is connected to. Because the coinvestment matrix consists of the number of coinvested targets between two VC firms, one's status by the centrality measure can be roughly seen as the sum of the statuses of coinvesting others weighted by the number of coinvested targets. Therefore, high status considerably reflects the total number of invested targets. By controlling the number of targets of investment, status effects will largely reflect the quality of interactions, rather than the size of interactions. The firm's performance is also controlled by using a logged dollar sum of the initial public offering (IPO) during year  $t$ . Without doubt, targets with highly

<sup>6</sup> The model showed decreasing modality in leadership status, which is contradictory to any model in Table 3 or any graph in Figure 3. The model is suspected to be nearly overspecified. Results can be provided by the author upon request.

**Table 2.** Correlations and Descriptive Statistics for Variables (N = 18,263)

	[1]	[2]	[3]	[4]	[5]
[1] $\ln(\text{Modality}_i + 1)$	1				
[2] Team Status	0.226	1			
[3] Role Status	0.206	0.645	1		
[4] Role Status - Team Status $I_{\geq 0}$	0.074	0.117	0.511	1	
[5] Team Status - Role Status $I_{\geq 0}$	0.027	0.415	-0.397	-0.232	1
[6] Number of invested stages	0.199	0.664	0.587	0.191	0.094
[7] Number of invested industries	0.198	0.688	0.613	0.180	0.085
[8] $\ln(\text{number of target companies} + 1)$	0.286	0.753	0.676	0.210	0.088
[9] $\ln(\text{sum of IPO in million \$} + 1)$	0.223	0.443	0.357	0.094	0.099
[10] Year	-0.008	-0.030	0.023	0.008	-0.068
Mean	0.122	1.589	0.881	0.062	0.770
Standard Deviation	0.102	1.007	1.098	0.260	0.794
Min	0.001	0	0	0	0
Max	0.606	5	5	2	5

	[6]	[7]	[8]	[9]	[10]
[6] Number of invested stages	1				
[7] Number of invested industries	0.815	1			
[8] $\ln(\text{number of target companies} + 1)$	0.862	0.908	1		
[9] $\ln(\text{sum of IPO in million \$} + 1)$	0.424	0.465	0.497	1	
[10] Year	-0.076	-0.072	0.006	-0.026	1
Mean	2.191	2.889	1.582	1.161	1993.985
Standard Deviation	1.286	2.125	0.867	1.924	6.512
Min	0	1	0.693	0	1981
Max	5	10	5.631	8.432	2002

valuable public offerings indicate that the VC firms that invested in them were competent. To the extent that modality overlaps with inertia, I expect a positive effect of size and performance on modality. This is because successful firms or larger firms are more inert (Hannan and Freeman 1989; March 1988). Table 2 shows the basic statistics of all the variables in the analysis.

### Test Results

Table 3 summarizes the analysis results from four fixed-effect regressions. Model 1 is a baseline model with control variables. First, the lagged modality has a significant, negative effect. For a given firm, the degree of modality or deviation is cyclic rather than monotonically increasing or decreasing, other things being equal. It is worth noting that the lagged term is

**Table 3.** Firm-Fixed Effect Regressions Predicting  $\ln(\text{Modality}_{t+1} + 1)$ 

< Predictors >	(1)	(2)#	(3)	(4)
$\ln(\text{Modality}_t + 1)$	-0.0926 (0.0094)**	-0.0921 (0.0094)**	-0.0926 (0.0094)**	-0.0923 (0.0094)**
<b>Team Status</b>				
Lower-lower (= 0)	0		0	
Upper-lower (< .2)	0.0001 (0.0039)		0.0030 (0.0039)	
Lower-middle (< 1)	-0.0083 (0.0046)		-0.0015 (0.0050)	
Upper-middle (< 2)	-0.0089 (0.0062)		0.0018 (0.0069)	
Lower-upper (< 5)	0.0035 (0.0079)		0.0197 (0.0085)*	
Upper-upper ( $\geq 5$ )	0.0343 (0.0139)*		0.0593 (0.0142)**	
<b>Role Status</b>				
Lower-lower (= 0)	0	0		0
Upper-lower (< .2)	0.0011 (0.0022)	0.0019 (0.0038)		-0.0014 (0.0027)
Lower-middle (< 1)	0.0069 (0.0035)	-0.0035 (0.0049)		0.0038 (0.0047)
Upper-middle (< 2)	0.0124 (0.0052)*	0.0016 (0.0068)		0.0119 (0.0071)
Lower-upper (< 5)	0.0130 (0.0066)*	0.0252 (0.0084)**		0.0169 (0.0092)
Upper-upper ( $\geq 5$ )	0.0365 (0.0107)**	0.0361 (0.0136)**		0.0517 (0.0132)**
<b>Status Inconsistency</b>				
Role Status - Team Status $I_{\geq 0}$		-0.0001 (0.0037)	0.0031 (0.0036)	-0.0076 (0.0044)
Team Status - Role Status $I_{\geq 0}$		-0.0030 (0.0014)*	-0.0040 (0.0015)**	-0.0024 (0.0019)
<b>Diversification, Size and Performance</b>				
Number of invested stages	0.0053 (0.0015)**	0.0050 (0.0015)**	0.0052 (0.0015)**	0.0044 (0.0015)**
Number of invested industries	-0.0054 (0.0012)**	-0.0055 (0.0012)**	-0.0055 (0.0012)**	-0.0053 (0.0012)**
$\ln(\text{number of target companies} + 1)$	0.0243 (0.0038)**	0.0258 (0.0037)**	0.0247 (0.0038)**	0.0250 (0.0037)**
$\ln(\text{sum of IPO in million \$} + 1)$	0.0026 (0.0006)**	0.0026 (0.0006)**	0.0026 (0.0006)**	0.0026 (0.0006)**

Table 3. continued

< Predictors >	(1)	(2)#	(3)	(4)
<b>Focus Stage</b>				
Buyout/acquisition	0	0	0	0
Early stage	-0.0474 (0.0042)**	-0.0476 (0.0042)**	-0.0477 (0.0042)**	-0.0477 (0.0042)**
Expansion	-0.0643 (0.0038)**	-0.0643 (0.0038)**	-0.0645 (0.0038)**	-0.0647 (0.0038)**
Later stage	-0.0276 (0.0044)**	-0.0278 (0.0044)**	-0.0277 (0.0044)**	-0.0283 (0.0044)**
Startup/seed	-0.0252 (0.0046)**	-0.0253 (0.0046)**	-0.0254 (0.0046)**	-0.0250 (0.0046)**
Others	0.1707 (0.0080)**	0.1708 (0.0080)**	0.1706 (0.0080)**	0.1700 (0.0080)**
<b>Focus Industry</b>				
Communications and media	0	0	0	0
Computer hardware	0.0062 (0.0043)	0.0061 (0.0043)	0.0060 (0.0043)	0.0068 (0.0043)
Computer software and services	0.0003 (0.0037)	0.0002 (0.0037)	0.0002 (0.0037)	0.0004 (0.0037)
Internet-specific	0.0338 (0.0041)**	0.0340 (0.0041)**	0.0339 (0.0041)**	0.0342 (0.0041)**
Semiconductors/other electronics	0.0043 (0.0043)	0.0041 (0.0043)	0.0042 (0.0043)	0.0042 (0.0043)
Biotechnology	0.0194 (0.0048)**	0.0195 (0.0048)**	0.0193 (0.0048)**	0.0197 (0.0048)**
Medical/health	-0.0037 (0.0042)	-0.0035 (0.0042)	-0.0038 (0.0042)	-0.0032 (0.0042)
Consumer related	0.0083 (0.0047)	0.0083 (0.0046)	0.0083 (0.0047)	0.0086 (0.0047)
Industrial/energy	0.0061 (0.0047)	0.0058 (0.0047)	0.0062 (0.0047)	0.0062 (0.0047)
Other products	-0.0006 (0.0046)	-0.0005 (0.0046)	-0.0006 (0.0046)	-0.0001 (0.0046)
Year Dummies	(Yes)	(Yes)	(Yes)	(Yes)
Constant	0.1984 (0.0085)**	0.1969 (0.0085)**	0.1985 (0.0085)**	0.1989 (0.0079)**
Observations	18263	18263	18263	18263
Number of firms	3821	3821	3821	3821
R <sup>2</sup>	0.14	0.14	0.14	0.14

Note | Status dummies in Model 2 (#) are the average status of partnership and leadership.

Standard errors in parentheses: \* significant at 5%; \*\* significant at 1% (two-tailed tests)

positive and significant if firm-specific fixed effects are not controlled (results not shown here). In other words, more normative firms at  $t$  are still normative at  $t + 1$ . Hence, the lagged dependent variable nicely shows how the inclusion of firm-fixed effects changes estimates and interpretations from “between-firm comparisons” to “within-firm changes.”

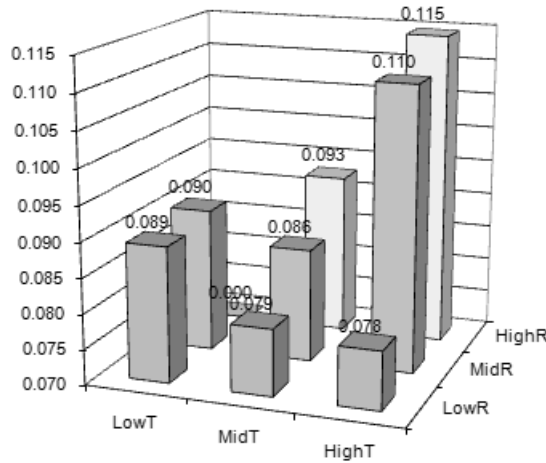
Model 1 also has time-varying firm characteristics. More diversification over various stages and less exploration over various industries are associated with more modal strategies with regard to focus stage and industry. In addition, larger size (i.e., more invested targets) and better performance (i.e., more IPO dollars) lead to more normative investment strategies. These results, which were expected, confirm that the dependent variable reasonably measures a continuum of deviation versus modality.<sup>7</sup> The estimates for status dummies tend to sharply increase at upper-status levels, not only in Model 1 but also in the other three models in Table 3. For a given firm, the improved status leads to more modal investments, whether it had high role status or high team status. In a VC market, investment strategies of high-status firms might be readily accepted as norms.

Model 2 tests the effect of status inconsistency, controlling for dummies for an average status and all other control variables. Recall that given the overspecification problem, controlling the average status is the impartial model and will be the central model for hypothesis test in Table 3. When these are controlled, role status lagging behind team status at  $t$  leads to a lower level of modality or a higher level of deviation at  $t + 1$ . Its effect ( $= -.0030$ ) is statistically significant. In contrast, lagged team status does not have a significant effect. These observations support my hypotheses about status inconsistency: it is asymmetric and only role status, or achievement status in general, lagging behind team status, or reference status in general, encourages deviational behaviors.

In Model 3, where dummies for team status are controlled, the hypothesized asymmetry is also confirmed: only lagged role status is negative and significant. In this model, however, only team status is controlled, and if you are skeptical, the effect of status inconsistency might only partly reflect the omitted main effect of role status rather than represents the full presence of status inconsistency.<sup>8</sup> The statistical results in Model 4 are not as supportive of the proposed hypothesis: neither direction of inconsistency is significant. The weaker estimate for lagged role status ( $= -.0024$ ) than that of Model 2 ( $= -.0030$ ) results partly from a suppression caused

<sup>7</sup> Observe in Table 2 that the number of invested stages, that of industries, and that of targets are highly correlated around .9. This observation concerns me with multicollinearity but I leave all the three variables in analysis for two reasons. First, those are control variables rather than key variables of interest and should be included in favor of robust tests for key variables. Second, all the three variables show strong expected effects in spite of potential multicollinearity. I cautiously infer that a large sample size overcame multicollinearity problem.

<sup>8</sup> For simplicity, take an example of linear specification for both the main and the inconsistency effects. If S2 is team status and S1 role status, Model 3 can be written in:  $(a)S2 + b(S2 - S1) = (a + b)S2 - bS1$ . Therefore, the estimate for status inconsistency, or  $b$ , can be regarded as the main effect of S1 if you do not believe the presence of the effect of status inconsistency. In sum, the presence of  $S2 - S1$  cannot be judged by the statistical significance of  $b$ , which may simply confirm the main effect of S2.

**Figure 3.** Modality across a 3-by-3 Distribution of Role Status and Team Status

by the uncontrolled positive effect of team status.<sup>9</sup> Though there is not a clear criterion for selecting a better model between Models 3 and 4, Model 3 can be favored over Model 4 on substantive grounds. When team status in Model 3 is controlled, an increase in “Team Status – Role Status<sub>0</sub>” implies a decrease in role status. By contrast, the same increase implies an increase in team status in Model 4, if role status is controlled. A status inconsistency caused by deteriorated role status, as in Model 3, is a more likely the driving force to deviational behavior than an inconsistency caused by improving team status, as in Model 4, because the former is clearer evidence of losing situations and thus may require more urgent need for changes than the latter.

Some readers may prefer seeing direct estimates of modality over the cross-tabulation of the two statuses in Table 1 to examining all the nuanced technical and interpretative differences across Model 2 to Model 4. For those readers, Figure 3 will be informative and will visually confirm the hypothesis of status inconsistency. To create Figure 3, I collapsed each dimension of status in Table 1 into three categories of high, middle, and low status and predicted the modality at all the combinations of the three-by-three cross-distribution of role status and team status by dummy specification. I kept all control variables from Model 1 and depicted the predicted values of modality over the three-by-three status space in Figure 3.<sup>10</sup>

A salient pattern in terms of status inconsistency is clearly visible in this figure: the lowest

<sup>9</sup> Model 4 can be specified by  $(a)S1 + b(S2 - S1)$  in comparison to Model 3 in Footnote 8. Status inconsistency, or  $S2 - S1$ , is positively correlated with an omitted team status  $S2$ . At the same time, its effect  $b$  is negative while the effect of  $S2$  was positive as was estimated in Model 3. Therefore, the negative effect of status consistency is suppressed when team status is not controlled in Model 4.

<sup>10</sup> For the adjustment, I assigned mean values for continuous predictors and assumed a specific year, focus stage and industry, and the like for dummy specification. Those assignments do not affect patterns of lines across status

levels of modality (or highest levels of deviation) are found for middle or high team status combined with low role status. These two positions for lagged role status are in front of the status-consistent diagonal positions in Figure 3. The two status-inconsistent positions for lagged team status (that is, LowT/MidR and MidT/HighR) beyond the status-consistent diagonal positions show much higher levels of modality. Note that the position for low team status in combination with high role status (in the back corner) cannot be estimated, as is implied by the zero frequencies of those positions in Table 1. In summary, Figure 3, as a descriptively accurate picture for modality over the two-dimensional status space, implies the hypothesized asymmetry between the opposite off-diagonal positions, which is systematically tested from Model 2 through Model 4.

In summary, I started with examining the effects of control variables in firm-fixed effect regressions. Those effects confirmed that the dependent variable for modality produces logically expected estimates. Then, the asymmetric effect of status inconsistency was tested across three different models, from Model 2 to Model 4, and largely confirmed: lagged achievement status causes deviant strategies, whereas lagged reference status does not. Though the hypothesized effect was not confirmed in Model 4, Model 4 is less important than the central model (Model 2) or than a more interpretable model (Model 3). In order to show the robustness of the confirmed effect of asymmetric status inconsistency, I also provided descriptive estimates of modality over three-by-three combinations of role status and team status.

## DISCUSSION

The data on U.S. VC firms enabled me to measure not only the degree of deviation in strategic behavior, but also the status order emerging from between-firm transactions. In addition, the longitudinal span of the data (22 years) was great enough to estimate the effect of status inconsistency as well as the main effects of status, controlling for unobserved heterogeneity between firms. A series of analyses confirmed that firms are more likely to pursue deviational investments when role status is farther behind team status. I also observed that the deviational investments in my context are socially deviant. Specifically, deviational investments results in penalty and uncertainty with regard to capital under management. Therefore, my confirmation of status inconsistency in the case of U.S. VC firms is not necessarily restricted to deviational but valid to deviant investment strategies. Further research, however, will be required to hypothesize under what conditions status inconsistency leads to deviant behaviors, beyond

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categories, but simply shift a fixed pattern vertically by the same degree for both lines in the same graph. Anti-logs of the predicted outcome values are taken in order to assign the y axis the substantive meaning defined by modality in relative frequencies.

deviational ones.

This paper has some limitations. First, it could not completely solve the model specification problem for the estimation of status inconsistency. It invented two variables for asymmetric status inconsistency, tried various specifications and then judged relative priorities among those specifications, rather than proposing a single, right specification. The specification problem needs more methodological attention. Second, the models in Table 3 do not show high predictive powers (see  $R^2$ s), given the nature of data. The data is a population rather than a sample of an organizational field and, therefore, statistical significance itself may not mean much even though most control variables show expected effects. After exploring various predictors and controlling for firm-fixed effects as well as year-dummies, I cautiously conjecture that the low predictive powers are not attributable to some missing predictors but to the nature of the VC market. Investment behaviors in the venture market seem hampered by relatively high levels of uncertainty in decision-making processes. This is, in fact, why coinvestment-strategies, and status signals emerging from those coinvestments, are actively used to reduce uncertainty in the VC markets (Podolny 2001; Sorenson and Stuart 2001).

The findings at the organizational level in this paper, in fact, are well applicable to human agents. Academic co-authorship is a good example. Imagine yourself, as an academic author, in two alternative authorship positions in publications, either as the last author with senior coauthors or as the leading author with junior colleagues. Which position would you be less satisfied with? The hypothesis in this paper predicts the former because the former suggests a lagged role status, while the latter suggests a lagged team status. Publishing by helping senior (and presumably better) colleagues might be a good start as a scholar, but it would not be a good permanent position because your role in the team (i.e., a helper) could never meet the status of your high reference group, which consists of senior colleagues. You would instead hope to be considered as an independent researcher and might attempt to resolve your status inconsistency strategically. Moving to related but different research areas, as VC firms move away from modal investment industries and stages, may be a viable option. Note that such strategic decisions are more likely to fail than to succeed but are willingly made by social actors whose achievement status is lower than their reference status. Social actors, whether human beings or organizations, are often driven by social forces running counter to rational decision making.

The theoretical contributions of this paper are as follow. First, this paper showed that status inconsistency has behavioral consequences. This is one advantage, rather than a disadvantage, when research on status inconsistency is extended to corporate actors beyond human agents. Previous studies with human agents mainly showed that status inconsistency yields some levels of stress and orientations toward deviance. This paper showed that beyond stress and changes of orientation organizational actors in inconsistent positions actually do something strategically. Second, this paper framed various types of status inconsistency as the discrepancy

between reference status and achievement status. This concept of reference and achievement status will help identify which status dimensions matter when multiple dimensions of status coexist. Third, this paper inferred and confirmed the asymmetric effect of status inconsistency, which has been implied but hidden in various empirical studies. Status inconsistency matters only when achievement status lags behind reference status, not the other way around. This observation shows that socially meaningful forces (i.e., status inconsistency) are shaped in relation to social references (i.e., lagging behind reference status) which are again shaped by social relations around actors (i.e., interacting others in the same teams). This is why relations have the utmost importance in sociology. Fourth, this paper connects status to roles by proposing that a role is a status (i.e., role status) and shows how role as a status affects strategic behaviors. This is a meaningful contribution to economic sociology, given that views of the market as “role structure” (White 1981) and as “status structure” (Podolny 1993) are two compelling approaches in the literature (Phillips and Zuckerman 2001: 421).

Simmel long ago observed that a person’s belonging to multiple social circles leads to highly differentiated individuality (Levine 1971: 291-2). Multiple circles imply multiple dimensions of roles, statuses, and reference groups, all of which lead to various types of status inconsistency. It can be expected from this paper that an inconsistent identity caused by belonging to multiple circles will likely lead to attempts to change the current configuration of the circles so that they are consistent. Note that the topic of identity and differentiation also has been actively studied in the field of economic sociology (see Padgett and Ansell 1993; Ruef 2004; White 1992; Zuckerman 1999 for examples). It remains to be explored how status inconsistency affects the identity formation of actors in the market.

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