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경영학 석사학위논문

**Overpayment and the Prism: Efforts to Relieve Pressure  
from Prestige in the Pipe**

과도한 프리미엄과 프리즘: 파이프를 통해 높은 지위로  
인한 압박을 완화하려는 시도

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서울대학교 대학원  
경영학과 경영학전공  
**Michael Park (박찬근)**

## **ABSTRACT**

This is a paper about the economic costs that high status actors may accrue in market transactions. High status actors will have status anxiety because they need to carefully manage the perception of the audience in order to maintain their privileges. Thus, to positively influence the audience's perception, high status actors may engage in economically costly efforts, such as overpayment. They are more likely to engage in such behavior when there are no other costless ways relieve status anxiety and when the effort is particularly effective in alleviating the anxiety. In sum, this paper seeks to answer the following research questions: Do high status actors incur significant economic costs because of their social prestige? What conditions make it likely for them to do so? For analysis, the paper uses the panel data of teams in the English Premier League. The panel dataset was built from 1,415 individual player transactions on Transfermarkt.com across the 11 most recent seasons. It finds that high status teams are more likely to purposely overpay for the acquisition of new players, especially for younger ones and in the summer transfer window. Thus, actors manage their status, not only by affiliating with high status others, but also by purposefully engaging in a specific type of costly economic exchange—overpayment.

**Keywords:** overpayment, status, Premier League

**Student Number:** 2015-20612

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## **INTRODUCTION**

Past literature has focused on the economic benefits that arise from high status. The benefits can originate from both an increase in revenue or a decrease in cost. For example, high status actors can charge a higher price for the same quality of good, generating a higher revenue (Benjamin & Podolny, 1999; Fombrun & Shanley, 1990). High status actors can also save on costs. The prestige itself provides visibility and lowers uncertainty about the quality of the product, decreasing the transaction cost in the market exchange (Podolny, 1993). Overall, past literature has demonstrated that status functions as an effective signal to the audience in the market, which can reduce uncertainty and increase perceived quality, leading to economic benefits for high status actors.

However, past studies have overlooked direct financial costs that may arise from occupying prestigious positions in the market. There have been studies that looked at how high status can constrain the behavior of actors. For example, high status actors are unlikely to associate with low status others because this will negatively affect the audience's perception of the focal actors, lowering their prestige (Fombrun, 1996; Podolny, 1993). Additionally, due to the visibility of prestigious actors, they are more vulnerable to the scrutiny of audience members (Adut, 2005; Fine, 1996). In other words, because they are more conspicuous in the eyes of others, high status actors' disappointing behavior are more likely to be noted and lead to negative consequences. Thus, although past studies have not shown tangible costs associated with high status, they have explored the obstacles that may arise from occupying high status. These obstacles are imposed by the

audience members whose perception influences the prestige and the related benefits.

Thus, status and its positive and negative consequences that have been explored so far are a function of the audience's perception (Scott & Lyman, 1968; Tetlock, 1983, 1985). Audience members see certain actors to be of higher status, conferring their goods with higher quality and less uncertainty. Similarly, they discount the social prestige of high status actors who associate with low status actors. Audience members also pay more attention to high status actors caught up in unsavory situations, potentially leading to punishment. Thus, it is the audience who judges the status of the actors and enables both the benefits and constraints associated with the prestige.

As mentioned, high status actors enjoy more benefits from the audience than low status actors because of to the audience's favorable perception. However, this also means that high status actors have more to lose from a negative change in the audience's perception. Furthermore, the audience is likely to scrutinize the behavior of high status actors more closely due to their visibility. This results in a higher sense of status anxiety among prestigious actors (Jensen, 2006). High status actors, while enjoying privileges, must be more careful about the perception of the audience to maintain the privileges of occupying a prestigious position.

This higher level of status anxiety may encourage them to more actively manage the perception of the audience (Tetlock, 1983). With the audience in mind, they will seek out behavior that can justify their privileged position to the audience. Although this behavior will help maintain their social prestige, it may be economically costly, exposing

a significant liability of high status that has not been explored in the past literature.

Thus, this paper attempts to explore the following research questions. Is there a significant economic cost to occupying a high status position in the market? If so, why do high status actors incur these costs? Recent work has shown that actors under intense status competitions may increase the price they charge in hopes of raising the perceived status of themselves (Askin & Bothner, 2016). Although this does not show any direct costs that high status actors may incur in the market, it shows that actors may manipulate the price in market exchanges to favorably influence the audience's perception.

Under similar conditions, high status actors may manipulate the market price in a way that helps them relieve their status anxiety. For example, they may purposefully pay above market price if it helps to relieve their status anxiety. Overpayment can positively influence the audience's perception through the Veblen effect of conspicuous consumption and the informational cues that a market transaction can provide to third parties. (Bagwell & Bernheim, 1996; Podolny, 2001). Thus, we explore how overpayment may help relieve the status anxiety that high status actors feel.

For analysis, we built a unique panel dataset of the most recent 11 Premier League seasons. The data was gathered from Transfermarkt.com, which individually listed the 1,415 player acquisitions. The results from the random-effects specification finds that high status teams are more likely to engage in overpayment especially for the acquisition of younger players and during the summer transfer windows. This is because to the audience, younger players represent a more promising commitment by the team, and thus

serves as a more effective way to alleviate the pressure from high status. Furthermore, during the majority of the summer transfer window, there are no competitive matches on schedule, which means that teams have no performance or affiliation-based ways to directly impact the perception of the audience.

Thus, in this study we demonstrate how actors in a socially competitive setting do not only resort to positive performance or affiliation with high status others (Benjamin & Podolny, 1999) to benefit their status. Rather, to relieve the status anxiety they feel, which stems from the possibility of losing the benefits they enjoy, high status actors resort to a specific type of economic transaction. This transaction is overpayment. Thus, actors' desire to manage the perception of the audience influences not only who to engage in a transaction with, but what type of exchange to engage in. Furthermore, high status actors' propensity to engage in overpayment highlights one potential economic liability of occupying prestigious social positions. This has not been researched in the past.

## **HIGH STATUS: ECONOMIC BENEFITS AND LIABILITY**

### **Economic Benefits of High Status**

The benefits of high status have been extensively studied among investment and commercial banks, wine producers, venture capital funds, NCAA basketball teams, medical research community, and elite nightclubs (e.g. Azoulay, Stuart, & Wang, 2013; Benjamin & Podolny, 1999; Podolny, 1993, 1994, 2001; Rivera, 2010; Washington &

Zajac, 2005). This perspective emphasizes the role of status in reducing the uncertainty of the focal actor. Because the focal actor's underlying quality is hard to discern, if the actor is able to signal a high quality by occupying a high position in the social hierarchy, the actor is able to enjoy privileges (Podolny, 2010), especially in form of higher revenues and lower costs.

An actor's position in the social hierarchy of a market influences how much interest the audience members has about the focal actor. This in turn influences the perceived quality of the product related to the actor and the audience members' evaluation about the product (Benjamin & Podolny, 1999). Amidst the general uncertainty in the market (Fligstein & Dauter, 2007), high status actors receive the benefit of the doubt from the audience. For example, wineries that are higher in status are able to enjoy higher returns in the market for the same quality of wine compared to lower status wineries (Benjamin & Podolny, 1999). Similarly, in the investment banking industry, because high status banks are more visible and perceived as being more trustworthy, they are able to save on costs related warranties (Podolny, 1993). Thus, status functions as a helpful signal that reduces uncertainty and improves the perceived quality of high status actors. High status actors are more visible, which in many cases is associated with reliability. At the same time, audience members pay more attention to them, which facilitates the benefits mentioned above. The resulting economic benefits are realized in the form of higher revenues and lower costs across different markets.

## **Economic Liability of High Status**

The above mentioned economic benefits bestowed upon the high status actors are consequences resulting from the perception of the audience (Benjamin & Podolny, 1999; Jensen, 2006; Podolny, 1993). They are due to the fact that high status actors are more visible and audience members care more about them. Although the positive consequences of the audience members' perception of high status actors have been explored in the past literature, the potential liability of the extra attention and care from them has not.

There is a dark side to enjoying the privileges of prestige (Jensen, 2006). All actors are accountable for their actions to the audience members that make up the social system (Scott & Lyman, 1968; Tetlock, 1985). Failure to act in accordance to expectations can lead to losses in the privileges stemming from occupying a certain position (Pfeffer & Salancik, 1978; Sutton & Galunic, 1995). In other words, the perception of the audience can affect the privileges bestowed upon the prestigious actors. High status actors enjoy more privileges because of their prestige (Podolny, 2010). This means that they also have more to lose from a drop in their status because of the inverse of the Matthew effect (Jensen, 2006; Merton, 1968). The more one has, the more one has to lose. Thus, although high status actors may enjoy more privileges, they must be more careful about the perception of the audience than low status actors if they want to maintain those privileges associated with high status.

In the English Premier League, high status teams enjoy passionate support from

their more numerous fans and higher economic revenue, generated from the larger number of spectators and merchandise sales (Boor, 2016). However, because they occupy higher social positions, they are subject to closer scrutiny from the audience, or the media and fans. Failure to continuously display their pedigree can create a hostile relationship between the teams and the public, leading to harsh criticisms or even the eventual loss of the social and economic privileges (Pfeffer & Salancik, 1978; Sutton & Galunic, 1995). This engenders status anxiety among the high status teams. Thus, in addition to simply focusing on winning matches, they may engage in other behavior that can also reinforce their high status in the eyes of the public.

## **MANAGING STATUS PRESSURE**

Actors can effectively improve their social position through two mechanisms: positive performance and affiliation with high status others (Benjamin & Podolny, 1999). Accumulation of these two factors over time will lead to an improvement in their status. However, they only represent ways in which actors can *directly* improve their status. There may be other subtler ways to relieve the pressure. High status actors may resort to these cosmetic methods because they experience such a high level of status anxiety stemming from the audience that the direct methods are not enough or unavailable at times to relieve the pressure (Jensen, 2006).

Past literature has shown that the market price can be manipulated for social

reasons (e.g. Askin & Bothner, 2016; Ody-Brasier & Vermeulen, 2014). Thus, a desire to manage the pressure from status may lead actors to control the price of exchange to their advantage. For example, this has already been documented in a situation where the level of social competition is particularly high. In the case of U.S. universities, schools that were experiencing a high level of status anxiety raised their tuition in an effort to be seen as a more prestigious school (Askin & Bothner, 2016). Consequently, actors may use the price to influence their status in the eyes of the public. This is different from the performance and affiliation mechanisms where the actual status measurably increases. Instrumentally increasing the price of exchange can cosmetically enhance the status of actors, relieving the pressure that they feel, but not necessarily increase their actual status. For example, schools that raised their tuitions did not expect to raise their actual rankings; they simply wanted to affect the way they were seen by the public.

However, the particular study on the universities lacked a sound explanation of how increasing the tuition would influence the perception of the public, which would be necessary to ease the status anxiety. The authors mainly relied on the “folk theorem known as the Chivas Regal Strategy” (Askin & Bothner, 2016: 4). It is believed that the price signals a higher quality of the good exchanged itself. However, this mechanism does not explicitly involve the audience members whose perception need to be altered in order for the status anxiety to be somewhat relieved. It treats the exchange price as a concept that does not directly dictate the audience’s perception about the social position of the focal actor. Furthermore, the study only showed that actors are willing to manipulate the market prices to positively influence the audience members’ perception. The study did not

highlight a particular economic liability of high status actors, which is the main contribution of this paper. An implementation of the pipes and prisms framework (Podolny, 2001) in the next section addresses these weaknesses and establishes the theoretical contribution of this paper.

In the context of the Premier League, teams accumulate status by performance and affiliation. Winning the league and important tournaments are positive performance records that will directly benefit their status. In addition, by qualifying for prestigious tournaments, they can affiliate with other high status teams from across Europe, which will also add to their status. However, the eligibility to participate in the prestigious tournaments is determined by their performance in the league and important tournaments. Thus, performance dictates the chances to affiliate with high status other as well. Consequently, for the soccer teams, by performing well they can hope to add to their status by winning and participating in prestigious tournaments.

However, in an extremely competitive social tournament like a professional sports competition (Nippa, 2010), it is highly probable that high status teams will not be able to relieve all their status anxiety simply through these direct means. They will seek out other cosmetic ways in which they can ease the pressure from the public. The acquisition of new players, during the transfer windows, presents an opportunity to manipulate the price to alleviate the pressure.

## **PIPES AND PRISMS: OVERPAYMENT**

### **Pipes and Prisms Revisited**

The pipes and prisms framework helps understand how status is influenced by economic exchange by delineating two functions of market ties (Podolny, 2001). When a focal actor engages in an exchange with a high status alter, the exchange relationship can be seen as a tie between the two actors. The tie facilitates the transaction of resources between the parties, or functions as a “pipe.” In addition, the tie can provide social information through the focal actor’s affiliation with the high status actor. Specifically, the association with the high status actor will increase the status of the focal actor by providing positive social cues about the focal actor through the tie. This function of the tie is referred to as the prism. Thus, the framework portrays through a metaphor, how an economic exchange (pipe) can lead to status consequences (prism). For example, a past study revealed that investment banks seeking alliances gauge the potential partners’ status before deciding on them (Chung, Singh, & Lee, 2000). From a pipes and prisms perspective, this shows that actors are careful about who their pipes connect them to, or their affiliations. This is because they are aware of the social benefits, or the positive prism effect, that results from affiliating with high status others. Other studies have also shown how actors carefully choose the destination of their pipes out of concerns for their status (e.g. Benjamin & Podolny, 1999; Podolny, 1993; Podolny & Phillips, 1996; Stuart, Hoang, & Hybels, 1999).

However, the general example and past literature only emphasized how actors

focus on affiliation. Actors seek to associate with socially fit others because that is one of the main direct ways, in addition to performance, to increase their status. This completely overlooks the subtler ways that actors may utilize the pipe to incite a favorable status effect. As noted in the previous section, when the status anxiety of the high status actors is so high that the direct mechanisms are not enough or always available, they may resort to superficial ways, such as changing the price. Price manipulation—or influencing the nature of the exchange, not just who to engage in the exchange with—may be utilized. This means that to incite a favorable prism effect, actors may care not only about the destination of the pipe, but also the pipe's content.

### **Overpayment**

However, not any sort of exchange can engender a prism effect. An exchange that has a conspicuous imbalance between the value of resources given and received by one party can provide social cues to the public that influence the status of the focal actor (Podolny, 2010). For example, in a deferential relationship the amount of respect given is not equal to the amount received. This allows observers to see that the one receiving more respect is of higher status. The inequality in what is exchanged has the potential to influence how the focal actor is perceived by the public.

Overpayment is an example of an unbalanced exchange that can have status consequences for the focal actor. Due to the Veblen effect of conspicuous consumption, it has been noted that when there is a willingness to pay over the market price for a certain

good, it can signal the high status of the focal actor (Bagwell & Bernheim, 1996). In effect, overpayment is an abnormal behavior that draws the attention of the public. Furthermore, the willingness to commit resources beyond what is necessary can ostentatiously display the strong desire of the actor to acquire the certain product. This can influence the way the public views the focal actor that overpays.

Premier League soccer teams may engage in overpayment in the transfer of new players, although costly, to display their commitment to acquiring new players in the eyes of the public. As mentioned, winning the league and other competitions is the direct way in which teams can improve their status through positive performance as well as prestigious affiliation. However, high status teams will feel a level of status anxiety that cannot be completely addressed by this direct mechanism. They are likely to feel the pressure of status anxiety even if they are trying their best to win all the competitive matches. Therefore, by engaging in overpayment, they can effectively show their strong desire to acquire players that will presumably help improve the team's future performance. This can relieve the pressure from the public, which is the source of their status anxiety. The public will note that the team is going beyond the necessary measures, actually inflicting economic harm on itself, in hopes of maintaining or even improving its status. Thus, high status teams will engage in overpayment to alleviate this pressure that they feel from the public. This represents a significant cost of occupying a high position in the social hierarchy.

There are two relevant dimensions to overpayment: the amount paid above the

market price and the frequency of engagement in overpayment. When a prestigious team pays above the market value for a transaction by a larger amount, it sends a stronger signal to the public about their desire to commit resources that can help preserve their status. On the other hand, a minimal difference between the price paid and the market value may go unnoticed by the public or be interpreted as a marginal effort to maintain the team's social position by the public, having an equally minimal effect on relieving the pressure. Thus, it is likely that when teams feel a significant amount of status anxiety, stemming from their high status, they will overpay by a larger amount.

*Hypothesis 1: High status teams will engage in overpayments for new players that are larger in amount.*

Furthermore, each transaction represents an additional opportunity to relieve the pressure from status. Thus, high status teams that feel an intense degree of status anxiety are likely to capitalize on as many of these chances as possible.

*Hypothesis 2: High status teams will engage in overpayments for new players more frequently.*

The public is likely to favor the acquisition of younger players. Younger players are seen by the public as more valuable towards improving the performance of the team, thereby contributing more to maintaining or improving the team's status in the future. This is because all else equal, younger players have a higher chance of improving the team's performance for a longer time. Thus, they represent a more effective mechanism that can relieve the pressure that teams feel.

*Hypothesis 3: High status teams will engage in overpayments that are larger in amount for new players, especially for younger players.*

*Hypothesis 4: High status teams will engage in overpayments for new players more frequently, especially for younger players.*

Teams resort to overpayment because they cannot completely relieve the status anxiety through performance and affiliation means. This status anxiety is likely to be even greater when those direct means are unavailable. During most of the summer transfer window there are no competitive games to be played. On the other hand, the winter transfer window occurs as the teams are playing competitive matches against each other (Football Association, 2015). Thus, teams will feel a higher level of status anxiety during the summer transfer window than the winter transfer window, encouraging them to engage in cosmetic ways to alleviate the status pressure.

*Hypothesis 5: High status teams will engage in overpayments that are larger in amount for new players, especially during the summer transfer windows.*

*Hypothesis 6: High status teams will engage in overpayments for new players more frequently, especially during the summer transfer windows.*

## **METHODS**

### **English Premier League**

Empirically, the English Premier League is a compelling industry to study because soccer is the most popular sport in the world and the Premier League has the largest revenue and average viewership of all professional soccer leagues (Bosshardt et al., 2015). In the 2016-2017 season alone, the 20 Premier League teams are expected to generate a combined revenue of about 5 billion Euros. As recently as the 2008-2009 season the figure was roughly half of that amount. Thus, the Premier League is a sizeable, quickly expanding sector of the sporting world (Boor, 2016)

Theoretically, it is also compelling because it meets two important conditions to test the hypotheses: status changes over time and status management is a key concern for those organizations involved. All clubs of the Premier League strive to collect the best results throughout each season against each other to end up as high as they can on the 20-

club rank-order hierarchy, or what is simply known as “standings” or “the table.” This final position ultimately determines the positive or negative effect they can bring upon the prestige of the team for that season. For example, the team that wins the League or other important tournaments can add to their legacy through the notable positive performance. Furthermore, teams that finish near the top of the table will be eligible to participate in prestigious European tournaments next season, which determines the affiliation mechanism of status dynamics. On the other hand, the three worst performing clubs at the end of each season are relegated to the second division of English football called the Championship. To fill those empty spots, the three top-finishing clubs from the Championship are promoted to the Premier League following each season. (Football Association, 2015; Harris, 2015). Thus, for the Premier League teams, winning as many matches and finishing as high as possible on the table is the direct way to enhance their status.

### **Transfer Window of Opportunity**

Because the chances of winning the league and tournaments and affiliating with high status others is determined by winning matches, at any point in time it may seem like there is not much a club can do outside of trying their best to win fixtures to directly impact status. However, for high status teams that have a high level of status anxiety, acquisition of new players offers a cosmetic way to relieve the pressure. Player transfers are restricted to designated “transfer windows.” The summer transfer window opens from

June 9<sup>th</sup> to August 31<sup>st</sup> each year, and the winter transfer window opens from January 1<sup>st</sup> to the 31<sup>st</sup> (Football Association, 2015). The season stretches from mid-August to mid-May of the next year. So the key difference between the two transfer windows is that throughout most of the summer transfer window there are no competitive matches, while the season is in full effect during the winter window. Thus, teams have almost no way of managing their status during the summer window other than the more cosmetic way of overpayment.

Both Figure 1 and 2 shows that the impact of status—and the underlying status anxiety—on overpayment is positively strengthened in the summer compared to the winter for both the amount and frequency of overpayment. Figure 1 shows that high status teams are likely to engage in larger amounts of overpayment during both the winter transfer window and the summer transfer window. However, the positive relationship is stronger in the summer. On the other hand, Figure 2, depicting the frequency of overpayment, show that high status teams are less likely to engage in overpayment in the winter. However, they are more likely to do so in the summer as expected. The heightened level of pressure that high status teams feel and the lack of alternative ways to relieve pressure is strong enough to induce overpayment from high status teams more frequently in the summer. The following analysis explores the effect of status and status anxiety on overpayment more closely.

Figure 1: Moderation of Summer (Amount)

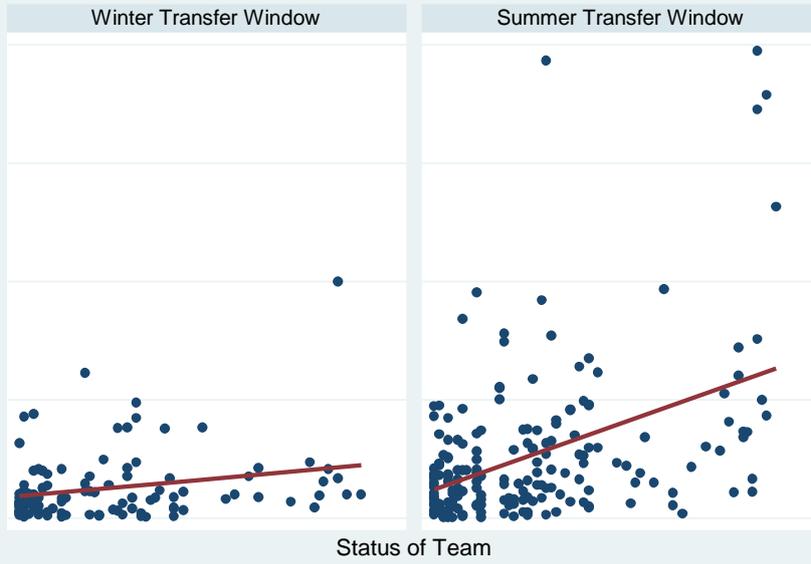


Figure 2: Moderation of Summer (Frequency)



## Sample

We analyze the effect that high status, and the resulting intense status anxiety, has on overpayment behavior of professional soccer teams. The information was gathered from Transfermarkt.com, which listed all of the 1,597 player acquisitions made by the English Premier League teams from the 2005-2006 season to the 2015-2016 season. From this data we constructed a unique panel dataset by organizing the information by each team and time period. Each of the 11 seasons from the 2005-2006 season to the 2015-2016 season provides two transfer window periods, summer and winter, resulting in 22 observation periods. Because each season features 20 teams there are a total of 440 possible samples. The three worst performing teams are relegated to the second division at the end of each season and three teams from the second division are promoted to the Premier League. So the same teams are not featured across all 22 time periods, resulting in an unbalanced panel. This total sample consisted of 37 unique teams that participated in the English Premier League at least once during the time period. To observe the effect of team status on overpayment, the analysis focused on time periods when the team engaged in at least one transfer during the window and where *Overpayment amount* was greater than 0. This only eliminated one team and resulted in a total of 301 samples to carry out the analysis. A basic comparison of the total sample and the analyzed sample is listed in Table 1. Table 2 presents the descriptive statistics and correlations for all the variables used to analyze status' effect on overpayment.

**Table 1: Subset of total sample (*Overpayment amount* > 0)**

	Number of unique teams	Time periods represented	Number of acquisitions	Panel sample size
Total sample	37	22	1597	440
Analyzed Sample	36	22	1415	301

**Table 2: Correlation and Descriptive Statistics for Variables in Analyses**

Variable	Mean	S.D.	Min.	Max.	1	2	3	4	5	6	7	8	9	10	11	12
1 Overpayment amount	8.51	11.13	0.1	79	1											
2 Overpayment frequency	2.36	1.48	1	9	0.60	1										
3 Status of team	19.67	20.1	0	73	0.38	0.08	1									
4 Roster market value	174.13	133.4	18.75	583	0.39	0.03	0.67	1								
5 Frequency of acquisition	4.70	2.65	1	14	0.30	0.67	-0.17	-0.18	1							
6 New manager	0.27	0.44	0	1	0.03	0.08	-0.08	0.00	0.12	1						
7 Status of manager	1.62	0.48	0.5	4.45	0.09	-0.04	0.20	0.30	-0.13	-0.10	1					
8 New billionaire owner	0.01	0.11	0	1	0.05	0.05	-0.04	-0.03	0.14	0.13	-0.02	1				
9 Age of player	-4.77	6.3	-29.7	11.28	-0.36	-0.49	-0.26	-0.19	-0.21	0.02	-0.04	0.00	1			
10 Summer transfer window	0.64	0.48	0	1	0.24	0.40	0.04	0.03	0.66	0.02	-0.02	0.09	-0.15	1		
11 Age of team	126.89	14.72	84	153	-0.07	-0.03	-0.06	-0.22	0.01	-0.06	-0.46	-0.01	0.03	0	1	
12 Spectator	67.31	26.66	21.26	144.07	0.34	0.05	0.78	0.71	-0.18	-0.09	0.19	0.04	-0.23	0	0	1

## Dependent Variables

*Overpayment.* The data regarding payments made by teams for the acquisition of new players was collected from Transfermkt.com. Transfermkt.com is a widely referenced source throughout the media (e.g. Payne, 2016; Train, 2016) for information on professional soccer teams, especially their transfer market activity. This includes the movement of all players as well as the estimated markets values and actual payments for all traded players.

The database provides the market values and payments of players in the Premier League starting from the 2005-2006 season to the most current one. The website states the market value of the player at the time of transfer and the amount paid by the acquiring team, or the transfer fee. *Overpayment amount* for a team for a particular transfer window was calculated by summing the positive differences between the transfer fees paid and the market values (in millions of Euros), when the former was greater than the latter.

*Overpayment frequency* for a team in a transfer period was calculated by counting the number of acquisitions where the transfer fees were greater than the market values.

## **Independent Variables**

*Team Status.* Actors can enhance their status through two main mechanisms, performance and affiliation (Benjamin & Podolny, 1999). In the Premier League, the performance aspect can be derived from the accumulation of the team's success in major competitions so far. The affiliation measure can be derived from how many times they participated in prestigious European tournaments thus far. These two different mechanisms of status dynamics, one based on domination and the other based on affiliation, have been referred to as hard and soft status in previous literature regarding status in sports competitions (Washington & Zajac, 2005). As was done in the past, a composite measure of status, which sums the hard and soft component, was used to measure the status of the team at the time.

Both the hard status and soft status measurements were coded from Transfermarkt.com. Components of the hard status were championship victories in the five most important competitions that teams participate in: Premier League, Champions League, Europa League, FA Cup, and the League Cup. The components of the soft status were the number of times the team participated in the prestigious European tournaments, the Champions League and the Europa League. Both the hard and soft status of each team were accumulated since their founding dates up to each period in time. This is appropriate

for the context as the public often compares teams' performance to their historic legacy (Hayes, 2016).

*Age of player.* The younger players are viewed more favorably by the public. This is because, all else equal, acquisition of young players represent a more promising contribution to the future performance of the team. In other words, the addition of a new young player signals a more significant step towards potentially enhancing the future status of the team. Thus, it serves as a more effective way to relieve the status pressure, encouraging teams to overpay more for the acquisition of younger players. The variable *Age of player* sums the difference between the average of all 1,597 acquired players (24.54) and the average age of all the players overpaid for by the teams in each transfer window. High status teams, because of their higher sense of anxiety, will feel an even stronger urge to relieve the pressure in any way they can. Overpaying for a younger player accomplishes this by sending a promising message to the public. Thus, prestigious teams are even more likely to overpay for younger players. The interaction term of *Team status* × *Age of player* captures this.

*Summer transfer window.* In addition, teams utilize overpayment as a way to relieve the pressure that they feel from the public. Thus, they are more likely to engage in overpayment when they feel more anxious about their status and for transactions that will be more effective in alleviating the anxiety. Due to the timing of the transfer window, teams do not engage in competitive games against each other for the majority of the summer period. However, winning games is the more direct way to enhance their status

because it has a direct impact on both the hard and soft status. Unfortunately for the teams, during the summer transfer window, this more effective mechanism is unavailable for nearly two months, making them more anxious about their status. Thus, they are more likely to engage in overpayment during the summer transfer window than the winter transfer window to cope with this anxiety. The dummy variable *Summer*, coded 1 for all summer and 0 for all winter transfer windows, captures this. The effect of the transfer window will be especially acute for high status teams. High status teams who generally feel a higher level of status anxiety, will feel an even more intense level of status anxiety during the summer transfer window, leading them to engage in even more overpayment. The interaction term of *Team status*×*Summer* captures this.

### **Control Variables**

In addition to the high status anxiety caused by the high status of the team, the economic wealth of the team may influence overpayment behavior. In other words, teams that can simply afford to pay high prices may do so to outbid competitors. To control for this *Roster market value*<sup>1</sup> is included in the model. It measures the market value of all players on the team during the season in millions of Euros. Teams with more economic wealth will have teams that are more highly valued. Although it is expected that the

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<sup>1</sup> In a separate analysis (not reported), the construct validity of *Roster market value* was tested to see if it truly captured the economic wealth of the teams. It was shown that teams that had higher *Roster market values* indeed engaged in more net spending throughout the transfer periods.

economic wealth may correlate with overpayment, the inclusion of this variable will enable the analysis to isolate the status effect. The model also includes *Frequency of acquisitions*. Teams that engage in more acquisitions in general may end up with higher total sums or frequency of overpayment. In addition, it is important to control for this given the longer duration of the summer transfer window than the winter transfer window. Teams will naturally engage in more acquisitions when the transfer window is longer.

The managers and the owners of the teams may influence overpayment behavior as well. New managers may feel more anxiety due to a desire to prove themselves as soon as possible. Or they may want a dramatic change in the composition of players as their coaching style requires a different set of players. Both of these causes may lead to more aggressive acquisition activity, which may entail overpayment. Thus, the dummy variable of *New manager* captures the first transfer window that a new manager handles at a club. High status managers may also be able to use the clubs' expenses more liberally, leading to overpayment. Thus, the *Status of the manager*, based on his past performance, is also included. Additionally, there has been a recent surge in billionaires from around the world acquiring controlling stakes in Premier League teams. The wealthy owners may splurge on new players to make an immediate impact. Thus, the dummy variable of *New billionaire owner* is included in the first transfer window after an acquisition of a controlling stake by a billionaire. Finally, the more general characteristics of the teams such as the total number of spectators that attended the teams matches throughout each season in thousands, *Spectator*; and the age of the team since founding, *Age of team*, are also included.

## Estimation Model

To account for the overpayment behavior across teams over time, we utilized panel data estimation models. In a panel data, a fixed-effect or random-effect specification can be used estimate the models. To determine which is more appropriate, we carried out the Hausman test. The test showed that there is no covariance between the error term and the main dependent variable, supporting the use of random-effects specification. The models controlled for the year effect with the 2005-2006 season as the reference group. The analysis estimated generalized least square (GLS) models, where  $i$  represents the specific team and  $t$  represents the particular transfer window:

$$\text{Overpayment}_{it} = \alpha + \beta_1 \text{Status}_{it} + \gamma Z_{it} + \text{Year}_t + \mu_i + \varepsilon_{it} \quad (1)$$

$$\begin{aligned} \text{Overpayment}_{it} = \alpha + \beta_1 \text{Status}_{it} + \beta_2 \text{Age}_{it} + \beta_3 \text{Status}_{it} \times \text{Age}_{it} + \gamma Z_{it} + \\ \text{Year}_t + \mu_i + \varepsilon_{it} \end{aligned} \quad (2)$$

$$\begin{aligned} \text{Overpayment}_{it} = \alpha + \beta_1 \text{Status}_{it} + \beta_2 \text{Summer}_t + \beta_3 \text{Status}_{it} \times \text{Summer}_t + \gamma Z_{it} + \\ \text{Year}_t + \mu_i + \varepsilon_{it} \end{aligned} \quad (3)$$

The main independent variables are *Status of team* and its interaction with *Summer* and *Age of player*. The higher the status of a team, the higher their status anxiety will be, leading it to engage in more overpayment to manage the stress. Equation (1) estimated this. Additionally, a prestigious team, because it experiences a higher level of status anxiety, will tend to overpay especially more for younger players who are more effective in relieving the pressure from the public. Equation (2) estimated this. The status

anxiety felt by a high status team will be heightened during the summer transfer window when the team has no competitive matches through which it can relieve the pressure from status. This will lead it to overpay more in the summer transfer window. Equation (3) estimated this.

## RESULTS

### **Amount of overpayment**

Table 3 shows the models predicting the amount of overpayment. Model 1 shows the effect that the status of the team has on the amount of overpayment, without the other independent variables of interest as seen in Equation (1). Model 2 shows the effect that status, the summer transfer window, and the age of player has on the amount of overpayment. Model 3 adds the combined effect of status and the age of the player as seen in Equation (2). Model 4 adds the combined effect of status and summer transfer window as seen in Equation (3). Model 5 is the full model with all the variables of status anxiety that leads to larger amounts of overpayment.

In model 5, the interaction coefficient of *Status of team* and *Age of player* is negative, indicating that prestigious teams who are under more pressure are likely to overpay by a larger amount for younger players. This is because the acquisition of younger players is perceived more favorably by the public and thus more effectively reduces the pressure. Thus, high status teams under considerable pressure are more likely to overpay

for the younger players to more effectively ease the anxiety. The interaction coefficient of *Status of team* and *Summer* is positive, indicating that high status teams are likely to overpay by a larger amount during the summer transfer window when the status anxiety is even more intense due to the lack of competitive matches. Without matches, the only way for teams to relieve the pressure is through overpayment. However, *Status of team* itself has a negative effect on the amount of overpayment in model 5. This shows that high status teams are not necessarily going to overpay all the time. They do so only when there is an opportunity to effectively reduce the pressure (acquisition of younger players) or when the pressure is particularly intense (during the summer transfer window). These results provide partial support for hypothesis 1, which predicted that status itself, through the mechanism of status anxiety, plays a role in accounting for the amount of overpayment. It provides full support for hypothesis 3 and 5, showing that the combined effect of status with the age of player and status with the summer transfer window do account for the amount of overpayment that teams engage in. Overall, the results confirm that although the status anxiety from prestige itself does not account for overpayment all by itself, teams do engage in overpayment to relieve the pressure that they feel, which partly comes from status.

*Age of player* is negative in models 2 and 3 when the interaction effect of it with *Status of team* is not included. This again highlights that status anxiety is the underlying mechanism for overpayment. It is not that all teams in general are likely to overpay for younger players. It is only the high status team that face more pressure that are likely to overpay for younger players as an effective way to ease their stress. One surprising finding

was that *Summer* is negative in Model 5, as well as across the other models. This indicates that teams in general, regardless of status, are likely to overpay by a lesser amount in the summer transfer. This may be because the summer transfer is longer and there are more buyers and sellers participating in the exchange, driving down the prices through competition.

Across all models the financial wealth of the teams, captured by the *Roster market value*, has a positive impact on the amount of overpayment which is expected. The models show that even when controlling for the economic capability of teams, status anxiety plays a significant role in accounting for overpayment behavior. Additionally, the positive and significant coefficient of the *Frequency of acquisition* is expected. Teams that engage in frequent transactions over time are the ones that react more strongly to status pressure, and are thus more likely to overpay by a greater amount.

**Table 3 Estimates for Random-effects Models Predicting Overpayment Amount**

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Status of team	0.14*** (-3.24)	0.12*** (-2.75)	-0.04 (-0.74)	-0.01 (-0.14)	-0.10* (-1.75)
Spectators	0.02 -0.55	0.01 -0.44	0.04 -1.14	0.01 -0.31	0.03 -0.93
Age of Team	0.00 -0.11	0.01 -0.27	0.02 -0.39	0.01 -0.36	0.02 -0.44
Roster market value	0.02*** (-3.30)	0.02*** (-3.33)	0.021*** (-3.52)	0.022*** (-3.68)	0.022*** (-3.73)
Frequency of acquisition	1.57*** (-7.88)	1.48*** (-5.23)	1.29*** (-4.68)	1.55*** (-5.62)	1.37*** (-5.01)
New Manager	(-0.06) (-0.05)	(0.09) (-0.08)	(0.03) (-0.02)	(-0.04) (-0.03)	(-0.05) (-0.05)
Status of Manager	(0.40) (-0.31)	(0.56) (-0.45)	(0.04) (-0.04)	(0.40) (-0.32)	(0.01) (-0.01)
New billionaire owner	(1.53) (-0.33)	(1.93) (-0.43)	(2.01) (-0.46)	(2.68) (-0.61)	(2.53) (-0.59)
Age of player		-0.32*** (-3.65)	0.10 (-0.84)	-0.28*** (-3.21)	0.06 (-0.50)
Summer		-0.93 (-0.64)	-0.79 (-0.56)	-4.86*** (-2.75)	-3.62** (-2.05)
Status of team × Age of player			-0.02*** (-4.59)		-0.02*** (-3.69)
Status of team × Summer				0.19*** (-3.76)	0.14*** (-2.62)
2006-2007	-1.30 (-0.48)	-0.55 (-0.21)	0.74 -0.29	-1.08 (-0.42)	0.14 -0.06
2007-2008	3.25 -1.30	3.05 -1.24	3.933* -1.65	2.33 -0.97	3.27 -1.38
2008-2009	2.32 -0.91	2.89 -1.15	3.66 -1.51	2.30 -0.94	3.11 -1.29
2009-2010	0.95 -0.36	1.07 -0.42	2.03 -0.82	0.40 -0.16	1.39 -0.56
2010-2011	-0.91 (-0.35)	-0.66 (-0.26)	0.71 -0.29	-0.48 (-0.19)	0.61 -0.25
2011-2012	0.25 -0.09	-0.16 (-0.06)	0.65 -0.26	-0.81 (-0.32)	0.05 -0.02
2012-2013	-1.58 (-0.61)	-2.31 (-0.91)	-1.82 (-0.74)	-2.20 (-0.88)	-1.82 (-0.75)
2013-2014	-1.56 (-0.59)	-1.25 (-0.48)	-0.29 (-0.12)	-1.99 (-0.78)	-0.98 (-0.39)
2014-2015	7.14*** (-2.78)	7.25*** (-2.88)	8.29*** (-3.39)	6.57*** (-2.66)	7.63*** (-3.14)
2015-2016	8.10*** (-3.19)	8.01*** (-3.22)	8.61*** (-3.57)	7.53*** (-3.09)	8.16*** (-3.42)
Constant	-9.39 (-1.39)	-10.31 (-1.54)	-9.22 (-1.43)	-7.67 (-1.17)	-7.53 (-1.17)
<i>N</i>	301	301	301	301	301

\* $p < 0.1$ , \*\* $p < 0.05$ , \*\*\* $p < 0.01$ , \*\*\*\* $p < 0.001$ ; *t*-statistics in parentheses

## Frequency of overpayment

Table 4 shows the models predicting the frequency of overpayment. Model 6 shows the effect that the status of the team has on the frequency of overpayment, without the other independent variables of interest as seen in Equation (1). Model 7 shows the effect that status, the summer transfer window, and the age of player has on the frequency of overpayment. Model 8 adds the combined effect of status and the age of the player as seen in Equation (2). Model 9 adds the combined effect of status and summer transfer window as seen in Equation (3). Model 10 is the full model with all the variables of status anxiety that leads to more frequent overpayment.

In model 10, unlike the case with the amount of overpayment, the interaction coefficient between *Status of team* and *Age of player* is insignificant. This indicates that high status teams are not likely to engage in more frequent overpayment for younger players, although they are likely to overpay by a larger amount for them. However, the *Age of player* is consistently negative across all the models, indicating that all teams, not necessarily prestigious ones, will tend to overpay for younger players. Thus, hypothesis 4, which predicted that high status teams were especially more likely to overpay for younger players, is rejected.

On the other hand, the interaction between *Status of team* and *Summer* is positive and significant in model 10, indicating that high status teams are likely to engage in more frequent overpayment during the summer transfer period. Because teams have no competitive matches on schedule, and thus no other way to relieve the pressure from status,

they will relieve the pressure by engaging in overpayment more often. However, *Status of team* itself is not significant, indicating that the status anxiety from high status alone is not enough to account for overpayment frequency. This provides partial support for hypothesis 2, which predicted that status plays a role in accounting for overpayment. However, it provides full support for hypothesis 6, which predicted that high status teams will engage in frequent overpayment when the anxiety is intensified during the summer transfer window. Overall, status anxiety, when enabled by both prestige and a contextual factor such as the lack of other alternatives to relieve it, will account for the frequency of overpayment.

As seen in the previous set of models on overpayment amount, the coefficient for *Summer* is consistently negative across all the models. This again is likely because the higher level of price competition, caused by the larger number of buyers and sellers, drives down the transfer prices overall. Additionally, *Frequency of acquisitions* is significant in accounting for overpayment frequency. As in the models predicting the amount of overpayment, this shows that teams who are anxious to engage in acquisitions to ease the pressure, are also more likely to engage in frequent overpayments. Tables 5 and 6 display the results from the same models as Tables 3 and 4 respectively, but here heteroscedasticity was addressed in both the overpayment amount and frequency. The results confirm the findings discussed above.

**Table 4: Estimates for Random-effects Models Predicting Overpayment Frequency**

Variable	Model 6	Model 7	Model 8	Model 9	Model 10
Status of team	0.01** (-2.29)	0.01 (-1.31)	0.01 (-0.81)	-0.01 (-0.31)	-0.01 (-0.14)
Spectators	0.00389 (-0.96)	0.00302 (-0.84)	0.00319 (-0.88)	0.00272 (-0.76)	0.00252 (-0.69)
Age of Team	-0.00222 (-0.46)	-0.000491 (-0.12)	-0.00046 (-0.11)	-0.000299 (-0.07)	-0.000324 (-0.08)
Roster market value	-0.0000846 (-0.12)	-0.000128 (-0.20)	-0.000125 (-0.19)	-0.0000275 (-0.04)	-0.000026 (-0.04)
Frequency of acquisition	0.39**** (-16.50)	0.37**** (-12.29)	0.37**** (-12.09)	0.37**** (-12.50)	0.38**** (-12.34)
New Manager	0.031 (-0.22)	0.067 (-0.53)	0.0665 (-0.53)	0.059 (-0.47)	0.0591 (-0.47)
Status of Manager	0.0283 (-0.19)	0.0702 (-0.52)	0.0664 (-0.49)	0.0599 (-0.45)	0.0636 (-0.47)
New billionaire owner	-0.759 (-1.40)	-0.657 (-1.38)	-0.657 (-1.37)	-0.611 (-1.29)	-0.609 (-1.28)
Age of player		-0.08**** (-8.75)	-0.08**** (-5.67)	-0.08**** (-8.45)	-0.08**** (-5.94)
Summer		-0.27* (-1.76)	-0.27 (-1.75)	-0.52*** (-2.71)	-0.53*** (-2.71)
Status of team × Age of player			-0.000154 (-0.31)		0.000169 (-0.32)
Status of team × Summer				0.01** (-2.16)	0.01** (-2.16)
2006-2007	-1.298 (-0.48)	-0.549 (-0.21)	0.741 (-0.29)	-1.084 (-0.42)	0.141 (-0.06)
2007-2008	3.249 (-1.30)	3.045 (-1.24)	3.933* (-1.65)	2.331 (-0.97)	3.274 (-1.38)
2008-2009	2.321 (-0.91)	2.89 (-1.15)	3.659 (-1.51)	2.304 (-0.94)	3.111 (-1.29)
2009-2010	0.946 (-0.36)	1.066 (-0.42)	2.03 (-0.82)	0.399 (-0.16)	1.392 (-0.56)
2010-2011	-0.91 (-0.35)	-0.661 (-0.26)	0.714 (-0.29)	-0.475 (-0.19)	0.613 (-0.25)
2011-2012	0.249 (-0.09)	-0.156 (-0.06)	0.654 (-0.26)	-0.808 (-0.32)	0.0527 (-0.02)
2012-2013	-1.578 (-0.61)	-2.313 (-0.91)	-1.823 (-0.74)	-2.196 (-0.88)	-1.823 (-0.75)
2013-2014	-1.563 (-0.59)	-1.254 (-0.48)	-0.293 (-0.12)	-1.994 (-0.78)	-0.982 (-0.39)
2014-2015	7.14**** (-2.78)	7.25**** (-2.88)	8.29**** (-3.39)	6.57**** (-2.66)	7.63**** (-3.14)
2015-2016	8.10**** (-3.19)	8.01**** (-3.22)	8.61**** (-3.57)	7.53**** (-3.09)	8.16**** (-3.42)
Constant	-9.392 (-1.39)	-10.31 (-1.54)	-9.224 (-1.43)	-7.673 (-1.17)	-7.531 (-1.17)
N	301	301	301	301	301

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$ ;  $t$ -statistics in parentheses

**Table 5: Estimates for Random-effects Models Predicting Overpayment Amount (Robust)**

Variable	Model 11	Model 12	Model 13	Model 14	Model 15
Status of team	0.14** (-1.98)	0.12 (-1.60)	-0.04 (-0.71)	-0.01 (-0.11)	-0.1 (-1.56)
Spectators	0.02 -0.44	0.01 -0.33	0.04 -1.07	0.01 -0.29	0.03 -0.90
Age of Team	0.00 -0.17	0.01 -0.47	0.02 -0.73	0.01 -0.67	0.02 -0.85
Roster market value	0.02** (-2.21)	0.02* (-1.92)	0.02* (-1.90)	0.02** (-2.04)	0.02** (-1.98)
Frequency of acquisition	1.57**** (-5.57)	1.48**** (-4.03)	1.29**** (-4.06)	1.55**** (-4.18)	1.37**** (-4.08)
New Manager	-0.06 (-0.04)	0.09 -0.07	0.03 -0.02	-0.04 (-0.03)	-0.05 (-0.04)
Status of Manager	0.40 -0.54	0.56 -0.82	0.04 -0.06	0.40 -0.60	0.01 -0.02
New billionaire owner	1.53 0.39	1.93 0.66	2.01 0.53	2.68 0.87	2.53 0.68
Age of player		-0.32**** (-4.57)	0.10 (-0.97)	-0.28**** (-3.96)	0.06 (-0.61)
Summer		-0.93 (-0.75)	-0.79 (-0.74)	-4.86*** (-2.78)	-3.62** (-2.37)
Status of team × Age of player			-0.02**** (-5.25)		-0.02**** (-4.26)
Status of team × Summer				0.19**** (-4.06)	0.14**** (-3.57)
2006-2007	-1.30 (-0.66)	-0.55 (-0.29)	0.74 -0.41	-1.08 (-0.59)	0.14 -0.08
2007-2008	3.25 -1.39	3.05 -1.47	3.933* -1.87	2.33 -1.11	3.27 -1.55
2008-2009	2.32 -1.22	2.89 -1.45	3.659* -1.90	2.30 -1.18	3.111* -1.66
2009-2010	0.95 -0.64	1.07 -0.74	2.03 -1.39	0.40 -0.29	1.39 -1.00
2010-2011	-0.91 (-0.50)	-0.66 (-0.37)	0.71 -0.43	-0.48 (-0.28)	0.61 -0.39
2011-2012	0.25 -0.15	-0.16 (-0.10)	0.65 -0.43	-0.81 (-0.56)	0.05 -0.04
2012-2013	-1.58 (-1.16)	-2.313* (-1.77)	-1.82 (-1.20)	-2.196* (-1.71)	-1.82 (-1.27)
2013-2014	-1.56 (-0.86)	-1.25 (-0.69)	-0.29 (-0.16)	-1.99 (-1.07)	-0.98 (-0.53)
2014-2015	7.14** -2.27	7.25** -2.41	8.29*** -3.09	6.57** -2.28	7.63*** -2.84
2015-2016	8.10*** -3.02	8.01*** -3.20	8.61**** -3.98	7.53*** -3.22	8.16**** -3.90
Constant	-9.39** (-2.01)	-10.31** (-2.32)	-9.22** (-2.29)	-7.67* (-1.83)	-7.53* (-1.89)
<i>N</i>	301	301	301	301	301

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$ ; *t*-statistics in parentheses

**Table 6: Estimates for Random-effects Models Predicting Overpayment Frequency (Robust)**

	Model 11	Model 12	Model 13	Model 14	Model 15
Status of team	0.01** (-2.41)	0.01 (-1.12)	0.01 (-0.85)	-0.01 (-0.47)	-0.01 (-0.19)
Spectators	0.00 (-1.16)	0.00 (-0.99)	0.00 (-1.06)	0.00 (-1.04)	0.00 (-0.96)
Age of Team	0.00 (-0.53)	0.00 (-0.13)	0.00 (-0.12)	0.00 (-0.08)	0.00 (-0.08)
Roster market value	0.00 (-0.18)	0.00 (-0.22)	0.00 (-0.21)	0.00 (-0.05)	0.00 (-0.04)
Frequency of acquisition	0.39**** (-16.07)	0.37**** (-9.50)	0.37**** (-9.65)	0.37**** (-9.81)	0.37**** (-9.82)
New Manager	(0.03) (-0.18)	(0.07) (-0.43)	(0.07) (-0.43)	(0.06) (-0.38)	(0.06) (-0.38)
Status of Manager	(0.03) (-0.26)	(0.07) (-0.67)	(0.07) (-0.63)	(0.06) (-0.53)	(0.06) (-0.56)
New billionaire owner	(-0.76) (-1.10)	(-0.66) (-1.57)	(-0.66) (-1.54)	(-0.61) (-1.42)	(-0.61) (-1.43)
Age of player		-0.08*** (-7.59)	-0.08**** (-4.51)	-0.08**** (-7.10)	-0.08**** (-4.73)
Summer		-0.27* (-1.81)	-0.27* (-1.81)	-0.52*** (-2.58)	-0.53*** (-2.63)
Status of team × Age of player			0.00 (-0.36)		0.00 (-0.38)
Status of team × Summer				0.01*** (-3.25)	0.01**** (-3.46)
2006-2007	0.12 -0.50	0.31 -1.61	0.32* -1.66	0.28 -1.46	0.27 -1.38
2007-2008	0.77** (-2.15)	0.71*** (-2.64)	0.72*** (-2.64)	0.67** (-2.48)	0.66** (-2.43)
2008-2009	0.57* (-1.81)	0.71** (-2.42)	0.72** (-2.40)	0.68** (-2.33)	0.67** (-2.24)
2009-2010	0.52** (-2.06)	0.56**** (-2.86)	0.56**** (-2.83)	0.52**** (-2.68)	0.51** (-2.56)
2010-2011	-0.07 (-0.28)	0.00 (-0.01)	0.01 (-0.04)	0.01 (-0.05)	0.00 (-0.00)
2011-2012	0.29 (-1.08)	0.18 (-0.85)	0.19 (-0.86)	0.14 (-0.66)	0.14 (-0.61)
2012-2013	0.16 (-0.57)	-0.03 (-0.13)	-0.03 (-0.12)	-0.02 (-0.10)	-0.03 (-0.12)
2013-2014	0.087 (-0.29)	0.166 (-0.66)	0.173 (-0.68)	0.120 (-0.48)	0.110 (-0.43)
2014-2015	0.80** (-2.52)	0.83**** (-3.25)	0.84**** (-3.30)	0.79**** (-3.04)	0.78**** (-2.98)
2015-2016	0.94**** (-3.12)	0.92**** (-3.56)	0.92**** (-3.57)	0.89**** (-3.47)	0.88**** (-3.39)
Constant	-0.11 (-0.16)	-0.36 (-0.56)	-0.36 (-0.54)	-0.20 (-0.30)	-0.20 (-0.30)
N	301	301	301	301	301

\*  $p < 0.1$ , \*\*  $p < 0.05$ , \*\*\*  $p < 0.01$ , \*\*\*\*  $p < 0.001$ ;  $t$ -statistics in parentheses

## DISCUSSION AND CONCLUSION

This study explored how the privileges often associated with occupying a high position in the social hierarchy can actually be costly<sup>2</sup>. It explored how the status anxiety that arises from prestige, due to the fear of losing those privileges, can lead high status actors to focus on maintaining their position in the eyes of the public. In certain cases, these attempts to manage status can be economically costly. The study explored this mechanism in a new context, the English Premier League.

The analysis indicate that teams engage in larger amounts and frequent overpayment to alleviate the status anxiety that they feel from the media and fans. High status teams feel a higher level of anxiety because they need to be more careful about managing the perception of the public to protect their privileges (Jensen, 2006; Scott & Lyman, 1968; Tetlock, 1983, 1985). Thus, overpayment is more likely among prestigious teams especially when the anxiety is acute like in the offseason summer transfer window. They are also likely to overpay by a greater amount for younger players because the public has a positive bias towards younger players, enabling them to alleviate the status pressure more effectively. Although status by itself cannot fully account for overpayment, its significance during the summer transfer window and for younger players indicates that

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<sup>2</sup> A separate analysis was carried out (not reported) to see if overpayment amount and frequency led to an increase in the team's hard status the next season. It was confirmed that both forms of overpayment have no effect on the dynamics of status in the next season. This indicates that overpayment, as proposed here theoretically, constitutes a form of cosmetic management of status, not an actual status enhancement mechanism like performance or affiliation.

the underlying mechanism of relieving status anxiety does account for overpayment. Overall, overpayment, which partly results from the anxiety of occupying high status, indicates that prestige can be economically costly (Sauder, Lynn, & Podolny, 2012). The economic liability of high status has not been explored in the past and is the main theoretical contribution of this paper.

The study analyzed overpayment on two dimensions: the amount and frequency. When the pressure from prestige is intensified by the lack of other opportunities to relieve it, like during the summer transfer window, teams are more likely to engage in larger amounts and more frequent overpayment. When the opportunity to effectively relieve pressure present themselves, such as in the acquisition of younger players, teams are more likely capitalize on them by overpaying by a larger amount.

However, they are not any more likely to do so frequently. This may be because unlike the amount of overpayment, frequency of overpayment is constrained by the number of players that are available in the market and a particular collection of players that a team is interested in acquiring. When the pool is reduced by the set of younger players who are both available and desired by the team, the sample size may be too restricted to observe the effect of status anxiety on overpayment frequency. This relatively constrained nature of the frequency variable may also account for the negative direction of the slope in the left-hand winter transfer window panel of Figure 1. In the winter transfer window, there are relatively less players in the transfer market, especially highly capable ones that high status team would seek. This is because most teams will not give

up easily on their star players during the middle of the season. Thus, high status teams may engage in less overpayment than low status ones because there are very few players available that they are interested in during the winter transfer window.

From a theoretical perspective, high status actors' engagement in overpayment as a way to deal with status anxiety represents a more complete utilization of the pipes and prisms framework (Podolny, 2001). In the previous literature, it was assumed that actors sought to benefit their status only through affiliation with high status others (e.g. Benjamin & Podolny, 1999; Chung, Singh, & Lee, 2000; Podolny, 1993; Podolny & Phillips, 1996; Stuart et al., 1999). In other words, it was assumed that actors would only seek to control the destination of their pipes, or choose their affiliates carefully, in order to benefit their social positions. However, the purposeful overpayment behavior explored here constitutes a manipulation of the content of the pipe (Askin & Bothner, 2016). Thus, this study shows that in order to incite a favorable prism effect, or benefit their social positions, actors may manipulate the content of the pipe, not only its destination.

We contribute to the general body of work on economic sociology by undertaking the study of a completely new market. The panel data used in this study is unique and collected from 1,415 individual player transfers across the past 11 seasons in the Premier League. This is a significant contribution considering that the Premier League is one of the most popular and largest professional sports league in the world (Boor, 2016). Additionally, although sports industries have been studied in the past (e.g. Bothner, Kim, & Smith, 2012; Castellucci & Ertug, 2010; Ertug & Castellucci, 2013; Washington &

Zajac, 2005), they have not focused on the economic transaction that occurs between teams nor the social mechanisms that may be driving the exchange. By utilizing a unique data set from a novel context the study expands the breadth of empirical phenomena that can be accounted for by social mechanisms.

This paper has practical implications for the study of management as well. High status firms that are under the pressure of intense status anxiety may engage in irrational recruiting behavior. Instead of seeking out executives based on necessity or the human capital of the individual, the firm may focus on how the hiring decision and process is perceived by the public, such as the media and shareholders. Consequently, they may more frequently hire and fire executives or announce compensation levels or hiring processes that favorably catches the attention of the public.

There are some limitations in the study. First, it is unclear how accurate the market value of the players offered on Transfermarkt.com is. Although their figures are widely cited in the popular media and assumed to be based on the past performance of the players, they have not fully disclosed exactly how they derive those figures. Because the measurement of overpayment depends on the reliability of the data, the actual way in which Transfermarkt.com calculates the players' market value is very important for this study. Second, the overpayment behavior may also be influenced by the status of the team where the player originates from or even the nationality of the player. Players from elite clubs or Brazilian and Argentinian players may be more highly sought out when trying to relieve the pressure from the public. However, this was not controlled for in this study. Third,

although the construct validity of roster market value was verified as much as the data permitted, it is still unclear if it is able to truly capture the financial wealth of the team.

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## 국문초론

### 과도한 프리미엄과 프리즘: 파이프를 통해 높은 지위로 인한 압박을 완화하려는 시도

본 연구는 사회적 지위가 높은 개인들이 시장 거래에서 부담해야 하는 비용에 대한 연구다. 지위가 높은 개인들은 제 삼자들의 시선을 더 의식하고, 사회적 지위를 잃을 수 있다는 불안감을 느낀다. 따라서 본인들의 지위를 보호하기 위해 제 삼자들이 자신에 대해 가지는 인식을 관리하려고 할 것이다. 과도한 프리미엄을 지불하는 것은 그런 행위의 대표적인 예시이다. 이러한 행위는 특히 추가적 경제적 비용이 없이 불안감을 해소 할 수 없을 때, 그리고 프리미엄 지불을 통해 효과적으로 불안감을 해소 할 수 있을 때 많이 일어날 것이다. 따라서 본 연구는 왜 지위가 높은 행위자들이 추가적인 경제적 비용을 감안해야 하는지, 또 어떤 상황에서 이러한 비용이 발생하는지 밝힌다. 사회적 지위가 높은 Premier League 팀들은 새로운 선수 영입 시 프리미엄을 지불하여 지위에 대한 불안감을 해소하려 한다. 특히 나이가 어린 선수를 영입할 때, 또 여름 이적 시장에서 그럴 가능성이 높다는 것을 밝힌다.

**주요어:** 과도한 프리미엄, 사회적 지위, 프리미어리그

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