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Liability of High Status: Overpayment to Relieve Status Anxiety in the English Premier League

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ABSTRACT

Extant literature on status has emphasized the benefits of high status for organizations. This paper, however, explores the economic costs that high status actors may accrue in market transactions. We hypothesize that high status actors are likely to engage in economically costly efforts, such as overpayment in acquiring resources that critically influence their image to relieve their status anxiety. We also hypothesize that they are more likely to engage in such behavior when there are no other efficient ways to relieve the status anxiety and when such behavior is particularly effective in alleviating the anxiety. Empirical analysis with the panel data of the English Premier League teams provides strong supports for the hypotheses. It finds that high status teams are more likely to purposely overpay for the acquisition of players, especially for younger ones and in the summer transfer windows. Based on the results, we discuss theoretical implications, limitations, and future research directions.

Keywords: Status anxiety, English Premier League, Overpayment, Liability of higher status

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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 and Podolny 1999; Fombrun and Shanley 1990). High status actors can also save on costs as potential external stakeholders prefer high status actors as their transaction partners (Podolny 1993).

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 is more likely to be noted and lead to negative consequences.

However, past studies have overlooked direct financial costs that may arise from occupying prestigious positions in the market. For example, potential stakeholders and society in general may have higher expectations for organizations with high status than for organizations with low status. Those audience members expect high status organizations to contribute more to society, to pay more dividends, and to invest more towards preserving their high status. Satisfying those higher expectations may lead to direct financial costs. From the high status actors' point of view, because they enjoy disproportionally larger economic and social benefits, they become worried about losing their status and its related benefits (Jensen 2006). This status anxiety may promote overinvestment for the sake of preserving their status. 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.

Based on the above reasoning, 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, under

what conditions does the cost become larger? High status actors may manipulate the market price in a way that helps them relieve their status anxiety (Askin and Bothner 2016). For example, they may purposefully pay above the 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 and Bernheim 1996; Podolny 2001). We hypothesize that high status actors are likely to engage in economically costly efforts, such as overpayment, to acquire resources that critically influence their image. This can help relieve their status anxiety. We also hypothesize that they are more likely to engage in such behavior when there are no other efficient ways to relieve status anxiety and when such behavior is particularly effective in alleviating the anxiety.

For analysis, we built a unique panel dataset of the most recent 11 English Premier League seasons. We collected data on the soccer team's historical records, characteristics, and player transactions. Results show that higher status teams are more likely to engage in overpayment for the acquisition of players. The tendency becomes stronger when the higher status teams acquire younger players and when the transaction occurs 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. Thus, teams have no performance or affiliation-based ways to directly impact the perception of the audience.

This study contributes to the literature on status. Extant literature has mostly focused on the economic benefits prestigious actors accrue due to their social position. Although past research has explored the ways in which prestige can limit the repertoire of behavior for those actors, it has failed to identify material costs associated with prestige (Sauder, Lynn, and Podolny 2012). This study represents the first study that highlights the economic liability of high status actors, which we believe is an area that warrants further investigation in the future. In addition, we directly answers the call to explore mechanisms other than actual performance and affiliation (Podolny and Phillips 1996) that actors utilize to manage

their social standing (Askin and Bothner 2016).

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, and Wang 2013; Benjamin and Podolny 1999; Podolny 1993, 1994, 2001; Rivera 2010; Washington and 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 have 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 and Podolny 1999). Amidst the general uncertainty in the market (Fligstein and Dauter 2007), high status actors receive the benefit of the doubt from the audience. 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. 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 and 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).

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 and 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 and Lyman 1968; Tetlock 1985). Failure to act in accordance to expectations of the audience can lead to losses in the privileges stemming from occupying a certain position (Pfeffer and Salancik 1978; Sutton and 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 and Salancik 1978; Sutton and Galunic 1995). For example, when teams face a decline in their performance or the level of attendance during home matches drops, this may lead to a greater increase in status anxiety especially among the high status teams than among low status teams. Thus, in addition to simply focusing on winning matches,

high status teams 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 (Podolny and Phillips 1996). 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 and Bothner 2016; Ody-Brasier and Vermeulen 2014). Thus, a desire to manage the pressure from status may lead actors to control the price of exchange to influence their status in the eyes of the public. In the case of U.S. universities, for instance, 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 and Bothner 2016). 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.

In the context of the English 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

others as well. Consequently, the soccer teams can hope to add to their status by winning each soccer match and thus winning EPL championship 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 ways in which they can ease the pressure from the public. Manipulating prices in acquiring new players, during the transfer windows, presents an opportunity 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 on the quality of the focal 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, and 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 and Podolny 1999; Podolny 1993; Podolny and Phillips 1996; Stuart, Hoang, and 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. Independent of the affiliation itself, the content and conditions of exchange among actors can affect the status of those actors. 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

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). 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 and 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. 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 financial cost of occupying a high status 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. 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. This reasoning suggests the following hypotheses.

> **Hypothesis 1:** The higher the status of a team, the larger the amount of overpayment the team commits to acquire players.
>
> **Hypothesis 2:** The higher the status of a team, the larger the number of players the team acquires through overpayment.

As stated above, high status teams are likely to experience greater amounts of status anxiety at times of declining performance or loyalty from fans compared to low status teams. This implies that high status teams are more likely to engage in specific types of overpayments that are likely to reduce status anxiety. We now propose two specific examples of such overpayment.

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.

Higher status teams enjoy more benefits due to their social position. But they are also under more pressure to relieve the status anxiety that stems from those privileges. Consequently, higher status teams are more willing to use all available means to relieve the anxiety than lower status teams. Because the acquisition of younger players offers an opportunity to effectively alleviate status anxiety, higher status teams are more likely to capitalize on these opportunities.

> **Hypothesis 3:** The effect of status on the amount of overpayment will be stronger when the team acquires younger players.
>
> **Hypothesis 4:** The effect of status on the number of players acquired through overpayment will be stronger when the team acquires younger players.

Teams resort to overpayment because they do not have other efficient ways to relieve the status anxiety such as performance and affiliation. This status anxiety is likely to be even greater when those direct means are unavailable. During most of the summer transfer windows there are no competitive games to be played. On the other hand, the winter transfer windows occur 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 windows than the winter transfer windows. All else equal, higher status teams always feel more status anxiety. This will be further intensified during the summer transfer window. Consequently, higher status teams, during the summer transfer window, are even more likely to resort to overpayment to alleviate their heightened status anxiety.

> **Hypothesis 5:** The effect of status on the amount of overpayment will be stronger during the summer transfer windows than during the winter transfer windows.
>
> **Hypothesis 6:** The effect of status on the number of players acquired through overpayment will be stronger during the summer transfer windows than during the winter transfer windows.

METHODS

Research Setting: 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 are 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 an important way to relieve the pressure. Player transfers are restricted to designated "transfer windows." The summer transfer window opens from June 9th to August 31st each year, and the winter transfer window opens from January 1st to the 31st (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 acquiring new players, while during the winter transfer windows they can concentrate on preparing for the remaining matches to heighten their final standings.

Sample

We analyze the effect that high status has on overpayment behavior of professional soccer teams. The information was gathered from Transfermkt.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 best 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 eliminated only

Table 1. Correlation and Descriptive Statistics for Variables in Analysis

	Variable	Mean	SD	Min.	Max	1	2	3	4	5	6	7	8	9	10	11
1	Overpayment amount	8.51	11.13	0.10	79.00											
2	Overpayment frequency	2.36	1.48	1.00	9.00	0.60										
3	Status of team	0.28	0.30	0.00	1.00	0.36	0.07									
4	Acquired young player	8.17	6.80	33.40	0.00	0.41	0.61	0.17								
5	Summer transfer window	0.64	0.48	0.00	1.00	0.24	0.40	0.04	-0.33							
6	Spectator	0.67	0.27	0.21	1.44	0.34	0.05	0.78	-0.11	0.06						
7	Roster market value	0.17	0.13	0.02	0.58	0.39	0.03	0.65	-0.15	0.03	0.71					
8	Age of team	1.27	0.15	0.84	1.53	-0.07	-0.03	-0.06	0.08	0.03	-0.08	-0.22				
9	Frequency of acquisition	4.70	2.65	1.00	14.00	0.30	0.67	-0.17	-0.51	0.66	-0.18	-0.18	0.01			
10	New manager	0.27	0.44	0.00	1.00	0.03	0.08	-0.08	0.05	0.02	-0.09	0.00	-0.06	0.12		
11	Status of manager	1.62	0.48	0.50	4.45	0.09	-0.04	0.20	-0.06	-0.02	0.19	0.30	-0.46	-0.13	-0.10	
12	New billionaire owner	0.01	0.11	0.00	1.00	0.05	0.05	-0.04	-0.05	0.09	0.04	-0.03	-0.01	0.14	0.13	-0.02

one team and resulted in a total of 301 samples to carry out the analysis. Table 1 presents the descriptive statistics and correlations for all the variables used in this study.

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. The website provides the estimated 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 billions of Euros), when the former was greater than the latter. *Overpayment frequency* for a team in a transfer window was measured by the number of players for whom the team paid transfer fees that were greater than their estimated market values.

Independent Variables

Team Status

Actors can enhance their status through two main mechanisms, performance and affiliation (Benjamin and 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 and 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 Transfermkt.com. Components of the hard status were the number of 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. As the accumulated number tends to increase every year, we measured the status of a focal team by dividing the accumulated status of the focal team by the accumulated status of the team with the highest status that year. As a result, the status can range from 0 to 1, with the larger number reflecting higher status.

We measured *Acquired young players* by summing the difference between 24.54, which is the average age of all 1,597 acquired players, and the actual age of each acquired players at the time of transfer, only when the player was younger than 24.54 years old. We coded *Summer transfer window* as 1 for all summer and 0 for all winter transfer windows.

Control Variables

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 wealth effect, we controlled for *Roster market value* that is the summation of the estimated market values of all players on the team during the season in billions of Euros. We also controlled for *Frequency of acquisition* that was measured by the number of new players acquired by the focal team during the corresponding transfer window. 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, we controlled for *New manager,* which was coded 1 in his first transfer window as a manager, and 0 otherwise. High status mangers may also be able to use the clubs' expenses more liberally, leading to overpayment. Thus, we controlled for the *Status of the manager,* which was measured by the winning percentage of all matches that the manager had accumulated up to that time period.

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, we controlled for *New billionaire owner*, which was coded 1 in the first transfer window after an acquisition of a controlling stake by a billionaire, and 0 otherwise. Finally, we controlled for the more general characteristics of the teams such as *Spectators*, which was measured by the total number of spectators that attended the teams matches throughout each season in ten thousands, and *Age of team,* which was measured by the age of the team in the number of years since its founding in hundreds.

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 to estimate the models. To determine which is more appropriate, we carried out the Hausman test. The null hypothesis of the Hausman test is that the random-effects panel model is preferred over the fixed-effects model because there is no covariance between the error term and the main dependent variable (Greene 2008). Therefore, we employ the random-effects specification over that of a fixed-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, t represents the particular transfer window, and Z refers to the team-specific individual effect that varies over time as follows:

$$Overpayment_{it} = \alpha + \beta_1 Status_{it-1} + \gamma Z_{it} + Year_t + \mu_i + \varepsilon_{it} \quad (1)$$

RESULTS

Amount of overpayment

Table 2 shows the models predicting the amount of overpayment. The significantly positive coefficient of status of team in model 1 provides strong support for hypothesis 1. In models 3 and 5, the interaction coefficients of *Status of team* and *Acquired young player* are significantly positive, indicating that high status teams are more likely to overpay when they acquire younger players. The results provide strong support for hypothesis 3. The interaction coefficients of *Status of team* and *Summer in* models 4 and 5 are significantly 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. The results provide strong support for hypothesis 5. Overall, the results confirm that status anxiety from prestige itself does account for overpayment, and that teams do engage in overpayment to relieve the pressure that they feel, which comes from status.

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 2. Estimates for Random-effects Models Predicting Overpayment Amount

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
Spectators	2.26 (-0.66)	3.11 (-0.92)	6.13* (-1.86)	2.43 (-0.74)	5.14 (-1.55)
Roster market value	20.89*** (-3.40)	18.26*** (-3.02)	17.76*** (-3.06)	19.95**** (-3.37)	18.84*** (-3.25)
Age of team	0.50 -0.12	1.20 (-0.30)	0.51 (-0.13)	1.53 (-0.39)	0.84 (-0.22)
Frequency of acquisition	1.57**** (-7.87)	1.16**** (-3.72)	1.09**** (-3.63)	1.28**** (-4.19)	1.17**** (-3.89)
New manager	-0.05 (-0.04)	0.53 (-0.45)	0.35 (-0.31)	0.34 (-0.29)	0.28 (-0.24)
Status of manager	0.39 (-0.30)	0.20 (-0.16)	-0.04 (-0.04)	0.10 (-0.08)	-0.05 (-0.04)
New billionaire owner	1.42 (-0.31)	1.47 (-0.33)	2.14 (-0.50)	2.33 (-0.53)	2.50 (-0.58)
Status of team	8.73*** (-3.02)	7.14** (-2.50)	-5.68 (-1.51)	-1.47 (-0.41)	-8.13** (-2.08)
Acquired young player		0.35**** (-3.84)	-0.06 (-0.51)	0.31**** (-3.40)	-0.01 (-0.06)
Summer		-0.86 (-0.59)	-0.64 (-0.46)	-4.94*** (-2.81)	-3.04* (-1.69)
Status of team x Acquired young player			0.02**** (-4.98)		0.01**** (-3.65)
Status of team x Summer				0.20**** (-3.94)	0.12** (-2.10)
Constant	-9.85 (-1.45)	-10.94 (-1.64)	-7.87 (-1.22)	-7.94 (-1.21)	-6.74 (-1.05)
N	301	301	301	301	301

Year fixed effect controlled for all models
*p<0.1, **p<0.05, ***p<0.01, ****p<0.001; two-tailed t-statistic in parentheses

Frequency of overpayment

Table 3 shows the models predicting the frequency of overpayment. The significantly positive coefficient of *Status of team* in model 6 provides strong support for hypothesis 2, indicating that high

Table 3. Estimates for Random-effects Models Predicting Overpayment Frequency

Variable	Model 6	Model 7	Model 8	Model 9	Model 10
Spectators	0.38 (-0.94)	0.59 (-1.60)	0.65* (-1.73)	0.55 (-1.49)	0.54 -1.44
Roster market value	-0.07 (-0.09)	-0.63 (-0.95)	-0.64 (-0.97)	-0.52 (-0.80)	-0.52 (-0.79)
Age of team	-0.23 (-0.47)	-0.05 (-0.12)	-0.07 (-0.15)	-0.03 (-0.07)	-0.03 (-0.07)
Frequency of acquisition	0.39**** (-16.50)	0.31**** (-9.10)	0.31**** (-9.04)	0.32**** (-9.33)	0.32**** (-9.27)
New manager	0.03 (-0.22)	0.16 (-1.21)	0.15 (-1.18)	0.15 (-1.13)	0.15 (-1.13)
Status of manager	0.03 (-0.17)	-0.01 (-0.09)	-0.02 (-0.13)	-0.02 (-0.14)	-0.02 (-0.14)
New billionaire owner	-0.76 (-1.40)	-0.75 (-1.54)	-0.74 (-1.51)	-0.70 (-1.44)	-0.70 (-1.43)
Status of team	0.79** (-2.31)	0.44 (-1.42)	0.18 (-0.42)	-0.10 (-0.24)	-0.09 (-0.19)
Acquired young player		0.08**** (-7.73)	0.07**** (-5.00)	0.07**** (--7.44)	0.07**** -5.34
Summer		-0.27* (-1.71)	-0.26* (-1.68)	-0.53*** (-2.70)	-0.53*** (-2.59)
Status of team x Acquired young player			0.00 (-0.89)		0.00 (-0.05)
Status of team x Summer				0.01** (-2.22)	0.01** (-2.22)
Constant	-0.13 (-0.16)	-0.41 (-0.56)	-0.35 (-0.47)	-0.22 (-0.30)	-0.22 (-0.31)
N	301	301	301	301	301

Year fixed effect controlled for all models
*p<0.1, **p<0.05, ***p<0.01, ****p<0.001; two-tailed t-statistic in parentheses

status teams are more frequently engaged in acquiring players with overpayment.

In models 8 and 10, unlike the case with the amount of overpayment, the interaction coefficient between *Status of team* and *Acquired young 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 *Acquired young player* is consistently positive 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 models 9 and 10, indicating that high status teams are likely to engage in more frequent overpayment during the summer transfer period. This 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, especially 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.

DISCUSSION AND CONCLUSION

This study explored how the privileges often associated with occupying a high position in the social hierarchy can actually be costly.[1)] It explored how the status anxiety that arises from prestige,

1) 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.

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 indicates 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 and 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 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 et al. 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.

The study also failed to measure other potential contributors to status anxiety. For example, the number of spectators over the course of the season may lead to a greater increase the level of status anxiety. Future studies should investigate how such granular factors of an organization which may vary over time can lead to higher levels of status anxiety thereby engender behavior that is directed at relieving the status anxiety among high status actors.

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 and Podolny 1999; Chung, Singh, and Lee 2000; Podolny 1993; Podolny and 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 and 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, and Smith 2012; Castellucci and Ertug 2010; Ertug and Castel-

lucci 2013; Washington and 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, is unclear how accurate the market value of the players offered on Transfermkt.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 Transfermkt.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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