

## RESEARCH ARTICLE



WILEY

# Basking in reflected glory: Reverse status transfer from foreign to home markets

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## Abstract

**Research summary:** In this study, we investigate reverse status transfer from foreign to home country markets. We argue that a positive product status accrued in a leading foreign country, or outside status, increases domestic market performance by providing home country audiences with a means of self-enhancement. We predict that the impact of outside status will be stronger when the foreign and home countries have similar economic conditions, and when the products are high priced, luxury goods—as social approval and prestige-seeking are important factors in purchase decisions for these products. We test our hypotheses using a sample of firms and vehicles in the automotive industry. Results from two-stage multi-level analysis support our arguments. Our results have several implications for research related to status transfer and international business.

**Managerial summary:** We look at how consumers in the home country of an automaker (Germany, Japan, and Korea) increase purchases of a car model that wins the J.D. Power APEAL award in the United States. Rather than telling those consumers anything new about the car's quality, the award bestows status on the vehicle from the leading outside market. (We call that reverse status transfer, as it flips the idea that domestic status helps firms competing in foreign markets.) Domestic consumers can share in some of that status by purchasing the vehicle, and they are especially likely to do so when it is a high priced or luxury model, as

those aspects amplify the status effects, as does economic similarity between the United States and the home country.

#### KEYWORDS

automotive industry, basking in reflected glory, international business, social identity theory, status transfer

Hyundai Motor Co. announced yesterday that its luxury sports sedan Genesis topped a survey conducted by J.D. Power and Associates'... Automotive Performance Execution, and Layout or APEAL survey... The second place was taken by the Jaguar XF... followed by the BMW 5 Series. (*The Korea Herald*, July 17, 2009)

Does status earned in a foreign market influence domestic market performance? Status, a type of social evaluation and widely defined as an actor's relative social standing (Sorenson, 2014) or social rank (Washington & Zajac, 2005), has emerged as an important theoretical construct that is seen as facilitating decision-making, social exchange, and organizational performance. Most research in international contexts pertaining to social evaluations has focused on them as intangible assets that are established in a home market and then exploited in foreign markets when firms go abroad (e.g., Buckley & Casson, 1976; Gardberg & Fombrun, 2006; Hymer, 1976). Status established in a home country may signal a certain product quality to foreign nationals, helping to shape expectations about the product and to resolve information asymmetry in the foreign country, especially during the early stages of internationalization (Berger, Fisek, Norman, & Zelditch Jr, 1977; Correll & Ridgeway, 2003; Wagner & Berger, 2002). Thus, status that transfers from home countries may aid a firm in overcoming the liability of foreignness, as the firm leverages its home-based competencies in foreign markets (Dunning, 1973; Hennart, 1982; Zaheer, 1995).

A type of status transfer that is understudied, however, is what we are calling *reverse status transfer*, which occurs when status established in a foreign country influences domestic market performance. While most previous internationalization research has focused on how home-based resources and capabilities are exploited in foreign markets, the home market of the internationalizing firm has received little attention (Boehe, 2011), mainly due to the assumption that internationalizing firms already have strong competitive advantages in their home markets before they expand into foreign markets (Dunning, 1988; Hymer, 1976; Rugman, 2006). However, reverse status transfer is likely to occur in today's business world, where many companies enter foreign and home markets simultaneously with the same products, where foreign audiences develop their own expectations about the products, and where information on foreign audiences' evaluations of those products is easily spread and transmitted via media to the home country (Deephouse, 2000; Rindova, Pollock, & Hayward, 2006; Smith, 1995).

In this paper, we take the social constructionist view of status (Lynn, Podolny, & Tao, 2009; Sauder, Lynn, & Podolny, 2012; Sullivan & Stewart, 2011) and investigate how the status of a product earned in a leading foreign market influences its performance in the home country. The social construction of status refers to the "basic sociological notion that an

actor's circumstances—the opportunities and rewards to which the actor has access, the social role or position that the actor obtains—do not originate from underlying qualities of that actor” (Lynn et al., 2009, p. 756). Rather, this view emphasizes other socially derived mechanisms to understand how status provides advantages or disadvantages to actors and other stakeholders.

Drawing on social identity theory (Dutton, Dukerich, & Harquail, 1994; Hogg & Terry, 2000; Tajfel, 1982; Tajfel & Turner, 1979), we investigate how the role of status goes beyond resolving information asymmetry about product quality in affecting organizational performance. More specifically, we borrow from the argument of Cialdini et al. (1976) on the tendency of actors to bask in reflected glory for the purpose of self-enhancement and describe it as a distinct mechanism of reverse status transfer. We argue that status established within a leading foreign market, herein labeled *outside status*, signals implied recognition from out-group members, which encourages home country audiences to associate with the product in question. We introduce several moderating factors to check and confirm the working of this mechanism. First, we suggest that the impact of outside status on domestic market performance is stronger for higher-priced goods and luxury goods, as these products carry even more potential for self-enhancement by association (Rossiter, Percy, & Donovan, 1991). Also, based on social comparison theory suggesting that similarity facilitates comparison (Festinger, 1954), we argue that the impact of outside status is stronger in home countries that have more similar economic standing to the leading foreign country relative to those that have dissimilar economic standing.

We test our hypotheses using a sample of firms in the international automotive industry from 1999 to 2010. The data consist of 775 model-year observations of vehicles produced by German, Japanese, and Korean automakers that were introduced both in their home country and the United States, which is the leading market for the automotive industry. Results from two-stage multi-level analysis support our arguments.

Our intended contributions are threefold. First, we suggest a mechanism by which status influences organizational performance by emphasizing how the social evaluations of out-group members can provide opportunities for feelings of self-enhancement among in-group members (Cialdini et al., 1976). While previous research emphasizes the role of status as a signal of quality to resolve informational asymmetry (e.g., Benjamin & Podolny, 1999), we, based on the notion of social construction of status, investigate how status can still influence the decision-making of an audience that already has access to information about quality. Second, and relatedly, we analyze the sociocognitive process by which status established in one country is interpreted by stakeholders in another country. By so doing, we emphasize the importance of the audience context in which status is established, because it conveys a way for stakeholders to use the status to improve their own self-concept.

Third, this study complements the international business literature by reversing its typical approach of home country capabilities being transferred to host countries. While Bartlett and Ghoshal (1998) suggested decades ago that all subunits of transnational corporations may provide benefits to other units, including from host to home country, most empirical studies have focused primarily on firms' exploiting domestic assets in new foreign markets, but not the other way around. This study adds to a recent effort to examine the intersection of country-level factors and social evaluations (Deephouse, Newburry, & Soleimani, 2016; Thams, Alvarado-Vargas, & Newburry, 2016) to shed light on how status obtained in foreign market can be transferred back to the home market to affect performance there.

## 1 | THEORY AND HYPOTHESES

### 1.1 | Advantages of high status

Status refers to an actor's position in a social hierarchy or ranking (Graffin, Bundy, Porac, Wade, & Quinn, 2013; Podolny, 2001). Scholars who study status emphasize how social hierarchy emerges within social groups and how distinct social advantages accrue to actors who are higher on the hierarchy (Correll & Ridgeway, 2003; Espeland & Sauder, 2007; Podolny, 2001). Similar to reputation, which can be thought of as “shared perceptions of an actor's unique and distinguishing qualities” (McDonnell & King, 2018, p. 64), status can induce evaluators to ascribe certain qualities to status holders and thereby shape expectations (Berger et al., 1977; Correll, Benard, & Paik, 2007; Wagner & Berger, 2002). Especially when overt indicators of quality are not available, the high status of an actor predisposes audiences to view it and its actions favorably (Benjamin & Podolny, 1999; Bothner, Podolny, & Smith, 2011; Kim & King, 2014; Podolny, 1994). Status thus helps to resolve information asymmetry (Akerlof, 1970) and provides a partial solution to the problem of uncertainty (Podolny & Hsu, 2002; Shapiro, 1983).

Status may also influence market transactions and organizational performance because it conveys important information about social identity. While reputation is “fundamentally an economic concept that captures differences in perceived or actual quality”, status is “a sociological concept that captures differences in social rank that generate privilege” and distinct identity (Washington & Zajac, 2005, p. 283, also see Sorenson, 2014), emphasizing “both quality and social order” (Piazza & Castellucci, 2014, p. 292). Social identity refers to actors' sense of who they are based on their group membership (Tajfel & Turner, 1979). The status hierarchy provides a source for actors to define their social identity (Podolny, 1993; White, 2002). As Podolny and Phillips (1996) argue, affiliations with actors of higher status increase the status of a focal individual whereas affiliations with actors of lower status decrease it. Davis and Greve (1997) and Haunschild and Miner (1997) also show that, to raise their status, firms that have no direct ties with high-status organizations imitate them to claim indirect affiliations. Similarly, Jensen (2003, p. 471) suggests that firms use the status of their partners to augment their own status-based social identity, “regardless of the pure economic value of the ties.”

### 1.2 | Multiple audiences and the transferability of status in international contexts

Status is transferable to the extent that the advantages it provides with one audience can be leveraged with another audience. An international product market is a prime example of a market made up of multiple audience contexts with different expectations and values embedded in the social context of each audience (Smith, 2013; Sullivan & Stewart, 2011). The transfer of resources based on social evaluation in an international context is still an empirically underdeveloped topic (Deephouse et al., 2016; Newburry, 2012), but previous theoretical research on international business implies the transferability of status across country boundaries. Many researchers of market internationalization argue that a multinational firm can increase its value by developing and transferring intangible assets (e.g., Bartlett & Ghoshal, 1998; Buckley & Casson, 1976; Caves, 1971; Dunning, 1973; Helm & Salminen, 2010; Hymer, 1976).

Consider, for example, the liability of foreignness that firms encounter when starting to do business abroad (Hymer, 1976; Zaheer, 1995). Liability of foreignness refers to the disadvantages or costs a firm faces operating in foreign countries due to a lack of necessary information about the host country and/or discrimination from local governments, consumers, and suppliers. Scholars in international business have argued that a multinational firm can overcome the liability of foreignness by transferring intangible assets developed at home to foreign markets (Buckley & Casson, 1976; Hymer, 1976). Accordingly, status can provide value in the new market by functioning as a signal of quality that audiences in the new market can use to make inferences about the firm's offerings when other more direct information is unavailable, uncertain, or ambiguous (Podolny, 2001). As an example, information on status derived from product awards in the home country could serve to resolve information asymmetry in foreign markets about the product's quality, albeit imperfectly, until the product develops and establishes a local social status. In addition to resolving information asymmetry, high status achieved in the home country will provide advantages in foreign markets by giving the foreign audiences a way to augment their status-based social identity (Jensen, 2003).

By comparison, home country audiences already have access to information about products from their place of origin as well as status rankings established at home (Falkenreck & Wagner, 2010). In other words, product status established at home serves as a more accurate signal of quality for home country buyers to discern functional utility of a product and is more useful in resolving information asymmetry than product status coming from a foreign market, because the status from the foreign market is established based on different expectations and values embedded in the social context of the foreign country (Lynn et al., 2009; Sauder et al., 2012). For example, high status accrued in the U.S. market may not provide a relevant and, thus, functionally useful signal of quality for Japanese consumers because they have different preferences and tastes in evaluating vehicles from those of U.S. consumers (e.g., Japanese consumers prefer smaller, fuel-efficient vehicles, whereas U.S. consumers emphasize engine power and versatility<sup>1</sup>). Thus, should reverse status transfer from a foreign leading market to the home market occur, the mechanism of resolving information asymmetry becomes less relevant. Rather, we argue that the social identity mechanism better explains the reverse status transfer. Below, we draw on social identity theory (Dutton et al., 1994; Hogg & Terry, 2000; Tajfel, 1982; Tajfel & Turner, 1979) to argue that positive recognition of a product by outsiders increases home country audiences' likelihood of basking in reflected glory (Cialdini et al., 1976).

Notably, the idea of reverse status transfer has rarely been discussed in the previous literature despite the many instances of it in today's business world. Corporations often enter multiple foreign markets with the same lines of products, and information about the products is widely and instantly spread around the world. When a product from a given country is sold in other countries, audiences in those foreign countries evaluate the product based on their own values and experience with it, and, accordingly, the local evaluation of the product is established and embedded in new social contexts. And information on status earned in a foreign market, the previously mentioned *outside status*, is delivered to the home country audiences via various media, such as newspaper articles, company advertisements, firm annual reports, radio and television news, magazines, trade journals, interactive social media

<sup>1</sup>From the 2014 Global Automotive Consumer Study by Deloitte. (<https://www2.deloitte.com/content/dam/Deloitte/au/Documents/manufacturing/deloitte-au-mfg-2014-global-automotive-consumer-study-changing-nature-mobility-290914.pdf>)

platforms, and the internet (Ball-Rokeach & Cantor, 1986; Deephouse, 2000; Dukerich & Carter, 2000; Falkenreck & Wagner, 2010; Fombrun & Shanley, 1990; Smith, 1995; Strike, Gao, & Bansal, 2006).

We expect that information about outside status developed in a leading foreign market (e.g., the United States for the automotive industry by market size and product variety) is the one that is most likely to be disseminated to home country audiences via these media. Even though multiple audiences evaluate a product, not all evaluations receive the same degree of attention (Dukerich & Carter, 2000). Rao, Davis, and Ward (2000) and Rindova, Williamson, Petkova, and Sever (2005) argue that high-status actors and those affiliated with high-status actors garner a disproportionate amount of attention and increase prominence in the minds of stakeholders. Because of their strategic importance, audiences in the leading foreign market are considered powerful, legitimate, and high-status, and information from leading foreign markets often draws more attention from firms, the media, and audiences in the home country than information coming from other foreign markets.

### 1.3 | Out-group members' recognition and basking in reflected glory

Tajfel (1979) argues that the social groups to which people belong are an important source of pride and self-esteem. Individuals identify with social groups for the purposes of self-enhancement—that is, to protect or increase feelings of positivity about the self (Tajfel & Turner, 1979; also see Hogg, 2003 and Reid & Hogg, 2005). Hogg and Terry (2000) argue that when self-enhancement is important, positive deviants in a group—or overachievers—will be favorably evaluated by group members. In addition, group members will associate themselves with those positive deviants, as the positive deviants “contribute to a favorable redefinition of ingroup identity” (Hogg & Terry, 2000, p. 128). Even in the absence of direct interactions with the positive deviants or contribution to their achievements, group members associate themselves with them to enhance their own self-esteem (Burger, 1985; Cialdini & de Nicholas, 1989; Snyder, Lassegard, & Ford, 1986; Wann, Tucker, & Schrader, 1996).

In this same vein, Cialdini et al. (1976) introduced the concept of *basking in reflected glory*. Basking in reflected glory describes people's inclination to publicize a connection with an object of social evaluation that is admired by others. That is, people feel that they can share in the glory of a successful other with whom they are in some way socially associated, even when they are not involved in the cause of the success. The tendency to bask in reflected glory is considered an indirect attempt to enhance self-esteem.

Nationality is one of the most salient influences on individual identity and intergroup behavior (Huddy & Khatib, 2007; Smith, 1993; Tajfel, 1982). National boundaries provide a basis for in-group versus out-group categorization and people psychologically associate themselves with their country (Tajfel & Turner, 1979). For example, people who are not normally soccer fans cheer for their national soccer team in the World Cup and they identify with the team even more when the team wins (Cialdini et al., 1976). Likewise, when a product from their country goes abroad and is evaluated in a leading foreign market, they regard the product as representing their country. When that product is evaluated positively by foreign audiences in the leading foreign market (i.e., by out-group members) and receives a prestigious award that designates it as high status, they take pride in the product and will be more willing to associate themselves with it by purchasing the product for self-enhancement. Therefore, we hypothesize:



**Hypothesis H1** *Products that received a prestigious award in a leading foreign market will have greater subsequent sales in units in a home country than those that did not.*

## 1.4 | Outside status and prestige-seeking behavior

Hypothesis H1 predicts a positive effect of the outside status of a product as it helps self-enhancement of home country audiences who bask in the reflected glory of the product. We expect that the effect of outside status will be stronger for products of higher price. Many studies in social psychology and marketing on social consumption argue that, compared with lower-priced goods, higher-priced goods are strongly related to self-concept (Rossiter et al., 1991; Veblen, 1899; Vigneron & Johnson, 1999). Research has shown that owning high-priced goods in absolute terms or relative to other items in a product category symbolizes success (Fournier & Richins, 1991) and makes consumers feel superior and socially recognized (Garfein, 1989).

In addition, social approval plays a particularly important role in driving the purchase of high-priced goods (Rossiter et al., 1991) as signaling one's social status is an important motivation for purchasing a high-priced good to improve one's self-concept (Dittmar, 1994; Douglas & Isherwood, 1979; Groth & McDaniel, 1993; Hyman, 1942; Leibenstein, 1950; Veblen, 1899). Thus, we expect that the overall utility of a higher-priced good will increase when it is positively evaluated by audiences in a leading foreign market and attains high status there. We therefore hypothesize as follows:

**Hypothesis H2a** *The positive effect on domestic market sales of receiving a prestigious award in the leading foreign market will be stronger for products of higher price.*

Similarly, we also suggest the effect of outside status will be stronger for luxury goods. A luxury good is not just a premium-priced product, but “an ephemeral status symbol” (Nueno & Quelch, 1998, p. 62). In addition to personal and internal motivations to purchase driven by esthetic pleasures and personal tastes, social and external motivations related to ostentation and status symbol accumulation drive the consumption of luxury goods (Fionda & Moore, 2009; Truong, Simmons, McColl, & Kitchen, 2008; Vigneron & Johnson, 1999). According to Vigneron and Johnson (2004), the mere use or display of a particular luxury good brings prestige to the owner; functional utility becomes a side issue. Thus, as social recognition is crucial in luxury markets, we expect that home country buyers of luxury goods will be more likely to associate themselves with these goods when they are favorably evaluated in leading foreign markets.

**Hypothesis H2b** *The positive effect on domestic market sales of receiving a prestigious award in the leading foreign market will be stronger for products in the luxury category, relative to non-luxury products.*

In addition to evaluating the moderating effects of price and luxury category, Hypotheses H2a and H2b are also useful for differentiating between two mechanisms that explain the role of status—whether high status simply provides a signal of quality that helps decision-making or instead creates a social halo that audiences can affiliate with to enhance their self-concept. If the effect of outside status on domestic market performance is stronger among products of

higher price and in luxury categories, it supports the case that the social halo created by status constitutes an important aspect of reverse status transfer.

## 1.5 | Similarity between audience contexts

Further, we argue that the impact of outside status on domestic market sales will vary depending on the similarity of economic conditions between the foreign and the home country. When receiving and interpreting outside status, characteristics of the foreign country work as a simplifier that plays as an overarching signal, affecting the likelihood for domestic audiences to accept and process the information (Lampert & Jaffe, 1996; Li & Wyer Jr, 1994). Limited information about the outside audience and bounded rationality lead to a legitimization process based on the audience context from which the outside status is established (Kostova & Zaheer, 1999). As social comparison theory suggests, individuals tend not to make evaluations by comparing with “others who are too divergent from” themselves (Festinger, 1954, p. 120). In contrast, evaluation by similar others may be helpful and important for decision-making (Major, Sciacchitano, & Crocker, 1993), as the groups share values and tastes shaped by similar social and economic bases. Research on social comparison processes (e.g., Suls & Miller, 1977) suggests that comparisons with similar others have more influence on self-evaluation and self-esteem than comparison with dissimilar others. Thus, we expect that the impact of outside status will be stronger if the status is conferred by a foreign audience with similar economic conditions as the home country audience. When the two audiences share a similar economic base, the home country audience would consider the outside status to generate a more valid halo effect.

**Hypothesis H3** *The positive effect on domestic market sales of receiving a prestigious award in the leading foreign market will be stronger when there is less, rather than more, economic distance between the home country and the leading foreign country.*

Combining Hypotheses H2 and H3, then, we expect that the positive moderating effect of price and luxury category (H2) will be stronger when the home country and the host country are in a similar economic condition. Thus, we suggest.

**Hypothesis H4a** *The positive moderating effect of price on the effect on domestic market sales of receiving a prestigious award in the leading foreign market will be stronger when there is less, rather than more, economic distance between the home country and the leading foreign country.*

**Hypothesis H4b** *The positive moderating effect of luxury category on the effect on domestic market sales of receiving a prestigious award in the leading foreign market will be stronger when there is less, rather than more, economic distance between the home country and the leading foreign country.*

## 2 | METHODS

### 2.1 | Data and sample

We tested the hypotheses on a large panel dataset containing information about the international automotive industry from 1999 to 2010. The choice of this industry as a research setting



is not an arbitrary one. We selected it because automobiles are relatively standardized products across countries; therefore, audiences of various countries can evaluate the same product, and the status of the product is established in each market based on consumers' own tastes and values. In addition, the automotive industry provides well-established sources of detailed information on products across countries (Rhee & Haunschild, 2006), including information on objective product quality, which is important to control for so as to test and distinguish the mechanisms we are most interested in. We collected general information about products and companies from *Ward's Automotive Yearbook*. This publication contains data on the global automotive industry and is regarded by many industry experts as providing the most comprehensive coverage of automakers of all available sources (Kwoka Jr, 1993; Rhee & Haunschild, 2006).

We examined vehicle models produced by 19 automakers from Germany,<sup>2</sup> Japan, and South Korea that were introduced both in their home countries and the United States. The United States has long been a leading market for the automotive industry in terms of production and sales volume as well as in terms of the variety of vehicles introduced. In addition, almost every major European, Japanese, and Korean automaker has produced and sold vehicles in the U.S. market.<sup>3</sup> Because of its importance in the automotive industry, information about sales trends in and news of the U.S. automotive market is widely shared via the media well beyond the U.S. market.

To ensure that the same products were examined across countries, we compared and matched the designs and specifications of every model in the home country and the U.S. markets. The sample consisted of models identified as being sold in the home country and in the United States with designs and engines from the same platform.<sup>4</sup> Cars and light trucks not produced for commercial use were included in the sample (i.e., taxis, commercial-grade trucks, and buses were excluded).

The level of analysis is the individual vehicle model. We created a yearly panel of model-level data for the study window. The final dataset therefore consisted of 775 model-year observations representing 142 separate models (Table 1).

## 2.2 | Measures

### 2.2.1 | Dependent variable

This study examines the effects of product status earned in a leading foreign market (i.e., outside status) on sales of the product in a home country. We measured the dependent

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<sup>2</sup>Because model-level information is available for German vehicles since 2005, German sample is included from 2006 to 2010 for analysis (using 2005 data for lagged variables).

<sup>3</sup>International Trade Administration, U.S. Department of Commerce.

<sup>4</sup>In addition to design and platform checks, to ensure consistent quality of the models across markets, we checked the correlation between the objective quality of the model across countries using New Car Assessment Program (NCAP) tests in the U.S. and Europe. The NCAP test program in each country is registered in the Global New Car Assessment Program, which uses five-star rating systems to measure vehicle safety. All new car models must pass certain safety tests conducted by the NCAP in each region before they are sold in each market. The regression coefficient of the Euro NCAP rating of a product on the U.S. NCAP rating of the product was 1.04 (with no constant). This result, together with the aforementioned design and platform checks, supports our assertion that the models in the sample are the same across countries. The results of this statistical analysis are available upon request.

**TABLE 1** Makers of automotive models analyzed in the study

Home country	Corporate	Maker
Germany	Volkswagen	Audi
	Volkswagen	Porsche
	Volkswagen	Volkswagen
	BMW	BMW
	BMW	Mini
	Mercedes Benz	Mercedes Benz
	Mercedes Benz	Smart
Japan	Honda	Acura
	Honda	Honda
	Toyota	Toyota
	Toyota	Lexus
	Mazda	Mazda
	Mitsubishi	Mitsubishi
	Nissan	Infiniti
	Nissan	Nissan
	Subaru	Subaru
Korea	Suzuki	Suzuki
	Hyundai	Hyundai
	Hyundai	Kia

variable, *product unit sales in a home country*, as the number of units of a focal model sold in the home country in a focal year, data obtained from *Ward's Automotive Yearbook*.

### 2.2.2 | Independent variable

The independent variable in this study is *product status earned in a leading foreign market (outside status)*. We use awards information from the Automotive Performance, Execution, and Layout (APEAL) study conducted by J.D. Power and Associates to measure product status in the United States. The APEAL study examines “how gratifying a new vehicle is to own and drive, based on owner evaluations of more than 80 vehicle attributes.”<sup>5</sup> The results of this study are based on responses gathered yearly from more than 70,000 early purchasers and lessees of new model-year cars and light trucks in the United States who are surveyed after the first 90 days of ownership. The score ranking of vehicle models is considered to reflect customers' overall subjective level of satisfaction with the vehicles.

Based on the scores of the APEAL study, J.D. Power & Associates acknowledges three top-ranked models in each vehicle segment, naming one as a winner and the other two as nominees. The award information is public and widely available via the media. Using the Google Advanced Search option in local languages, we checked whether news about a product

<sup>5</sup><http://businesscenter.jdpower.com/news/pressrelease.aspx?ID=2010121>

receiving or being nominated for the APEAL awards had been published in the local news media in the home countries. We confirmed that all award information about the vehicles was delivered to the home countries in the form of news articles published by the local media. Many studies have used explicit ratings and subsequent awards given to highly rated products featured in powerful institutional intermediaries as a proxy for high status (e.g., Jensen & Kim, 2015; Kovács & Sharkey, 2014; Reschke, Azoulay, & Stuart, 2018). Institutional intermediaries are entities that specialize in disseminating information about organizations or evaluating their outputs. They are also seen as making information more comparable and reliable across products.

Moreover, ratings and subsequent awards given to products are seen as providing stakeholders with independent third-party certifications, thus securing credibility (Devaraj, Matta, & Conlon, 2001; Levin, 2000; Podolny & Hsu, 2002; Rao, 1994). Further, the information and evaluations provided by institutional intermediaries tend to be distributed more broadly than the opinions of the average stakeholder. As a result, they are likely to have considerable influence on which products become prominent in the minds of stakeholders (Rindova et al., 2005; Sullivan & Stewart, 2011). Receiving a high rating from expert intermediaries increases the visibility of a product, causing stakeholders to view it as being among the top in the market. Finally, since the award information is highly visible and accessible, the information can easily be transmitted from focal country to home country by the companies themselves or by third-party media. Especially for the automotive industry, previous research has suggested that consumers tend to rely on the historical results of road tests, consumer surveys, and market analyses implemented by prestigious institutions as a source of information about products (Rao, 1994; Rhee & Haunschild, 2006). Almost all respondents to the questionnaire of Rhee and Haunschild (2006) identified J.D. Power & Associates as the most important car-rating source in the United States. The fact that the APEAL award is given only to three vehicles in a segment—a relatively arbitrary number—suggests that the winner of the award probably receives attention and esteem out of proportion to the difference between the winner's positive attributes and those just outside of the winner's circle. In this way status is a “winner take all” idea that goes far beyond reflecting performance differences among entities deemed high status and those not (Gould, 2002, p. 1149). Thus, we presume that being recognized by the APEAL awards from J.D. Power & Associates generates high status for vehicles. We assigned a code of 1 for *outside status* if a focal vehicle received the APEAL award, and 0 otherwise.

### 2.2.3 | Moderating variables

The first moderating variable in this study is *product price*. We used the suggested retail price of the product model in the United States (in thousands USD) for computational efficiency across the three different home countries included in the study.<sup>6</sup> The second moderating variable is *whether a product is a luxury vehicle*. We assigned a code of 1 if a vehicle is categorized in a luxury segment by J.D. Power & Associates and 0 otherwise. The third moderating variable is *economic distance between the home country and the United States*. To measure this variable, we

<sup>6</sup>To ensure the validity of using price in the U.S. as a moderating variable, we calculated correlations between the price in Korea and in the U.S. for the same model. The correlation was 0.9072 (189 model-year observations, 1998–2010). Moreover, the correlations between the ranking of model prices in the two countries were even higher (0.9524 during the period from 1998–2010).

calculated the Euclidean distance between the GDP per capita of the home country and of the United States for each year. The Euclidean method, which is defined as the geometrically shortest possible distance between two points, is the most widely used measure for cross-national distance (e.g., Barnard, 2010; Berry, Guillen, & Zhou, 2010). Following the existing literature in international management, the variable is measured as follows:

$$ED_{ij} = \sqrt{(GDP_{ij} - GDP_{iu})^2},$$

where  $ED_{ij}$  stands for the economic distance between the  $j$ th home country and the United States, in year  $i$ ,  $GDP_{ij}$  is GDP per capita of the  $j$ th home country in year  $i$ ,  $u$  indicates the United States, and  $GDP_{iu}$  is GDP per capita of the United States in year  $i$ .

## 2.2.4 | Control variables

We controlled for a number of factors that may affect the sales of a product in the home country. First, we included six product-level control variables: *prior unit sales*, *model age*, *model label age*, *model quality*, *model market share*, and *vehicle type*. *Prior sales of the product in the home country* was measured as unit sales of a focal model in the home country in the previous year. *Model age* in the home country was measured as the number of years between the current year and the time the automaker introduced the focal model in the home country. Previous literature suggests that product sales vary with a model's age. Findings by organizational ecologists on the negative relationship between age and organizational growth imply a negative effect of model age on product sales (Barnett, Mischke, & Ocasio, 2000; Barron, West, & Hannan, 1994; Kwoka Jr, 1993). Automakers often introduce new generation models under the same model name with major changes in design and specifications. For example, the Hyundai Sonata was first launched in 1985. Since then, it has been sold in five different generations by 2010 (i.e., the Sonata LXI from 1985 to 1987, Sonata Y2 from 1988 to 1993, Sonata Y3 from 1993 to 1998, Sonata EF from 1999 to 2005, and Sonata NF from 2004 to 2010). These generations have different designs, engines, and other specifications, and are considered separate models from one another. In this study, we treated each generation as a separate individual model and included the model age in years in the analysis.

We also included the variable *model label age* (in years) to control for the effect that age might have on audience perceptions of the model and, in turn, on product sales. Though each new generation model has distinct attributes from the previous generation model, using the same name may cause certain values to be associated with the model. For example, the label Mercedes-Benz S-Class, under which five generations were introduced starting in 1993, has been regarded as a well-made, best-selling luxury sedan for more than 25 years.

To measure *objective product quality*, we used automotive overall ratings by Consumer Reports (Lichtenstein & Burton, 1989). Experts from Consumer Reports test each vehicle in the U.S. market and evaluate it based on its performance, comfort, convenience, safety, and fuel economy, and compare it with others in its category. Then, each vehicle is rated using a five-point scale—poor, fair, good, very good, and excellent. We assigned a code of 1 if a focal model received poor, 2 for fair, 3 for good, 4 for very good, and 5 for excellent. We also controlled for *product market share in the home market in the previous year* (Dunbar, 1998; Megginson & Weiss, 1991; Narayanan, Rangan, & Rangan, 2004). Finally, we included 10 vehicle type

dummies (subcompact car, mid-sized car, full-sized car, coupe, compact SUV, mid-sized SUV, full-sized SUV, compact truck, compact MPV/Minivan, full-sized MPV/Minivan), with compact cars serving as the excluded baseline type.

Next, we controlled for maker-level effects. Because an automaker's market power can influence consumers' decision-making regarding purchasing a certain model (Devaraj et al., 2001; Podolny & Hsu, 2002), we included *market share of the maker of the focal model in the home country in the previous year*. We included maker dummies in the model as well, with Audi serving as the excluded baseline maker. In addition, we also included a corporate dummy, with 1 for models by a maker that belongs to a multi-maker corporation (e.g., Audi is subsidiary of Volkswagen) and 0 otherwise, to control any corporate-level effect that may exist. At the country level, we controlled for the home country's GDP per capita in the focal year, as a country's economic standing will affect sales demand. We included home country and year dummies as well. Descriptive statistics and correlations for the major study variables are shown in Table 2.

## 2.3 | Analytical approach

Because receiving the APEAL award both reflects and influences firm action and performance, it was important to control for potential endogeneity in the models in which receiving the APEAL award was an independent variable. Theoretically, a host of other variables may also affect both receiving the award and the dependent variable of interest, that is, product sales in home countries. We therefore included many of these variables as controls. To the extent that the models include a broad set of controls, concerns about endogeneity should be lessened. We also lagged the independent variables by 1 year to provide assurance that the models were capturing the effect of prior award events to predict future sales performance.

In addition, to account for the fact that receiving the award reflects as well as predicts firm performance, we used a two-step procedure that first predicts the likelihood of a model being sold in the United States via a probit model, and then controls for that likelihood in a second-stage regression (Heckman, 1979). The first stage included variables from the second stage (i.e., model age, model label age, vehicle type, maker dummies, and maker home country dummies). In addition, we included U.S. GDP per capita in the model to predict the likelihood of a model being sold in the United States, as overall economic conditions may influence demand. We then used the results from the first-stage probit model, shown in the Appendix, to create the inverse Mills ratio, which was included as a control in the second stage (Hamilton & Nickerson, 2003). Recent work on controlling for endogeneity in strategy research suggests that, when the likely cause of endogeneity is omitted variable bias, and when potential selection bias exists, the Heckman procedure can be used to control for endogeneity (Bascle, 2008; Certo, Busenbark, Woo, & Semadeni, 2016).

For the second-stage regression analyses we used multilevel mixed-effects negative binomial models. Multilevel mixed-effects models are appropriate for our analyses, as they allow for many levels of nested clusters of random effects (Searle, Casella, & McCulloch, 2006; Skrondal & Rabe-Hesketh, 2008). More specifically, in our three-level models, our observations of 142 vehicle models were nested within 19 makers that were again nested within 3 home countries. In addition, as the dependent variable of the study is an overdispersed non-negative count variable, we used negative binomial models to account for the overdispersion.

TABLE 2 Descriptive statistics and correlations (N = 775)

	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10
1. Sales in home country	25,813.41	38,073.01	1	315,669										
2. Outside status	0.23	0.42	0	1	0.17									
3. Price (in USD 1,000)	36.81	33.09	9.05	497.75	-0.19	0.14								
4. Luxury	0.16	0.37	0	1	-0.07	0.22	0.47							
5. Sales in home country in (t - 1) year	27,728.67	39,339.41	0	366,231	0.95	0.16	-0.19	-0.06						
6. Model age (in years)	4.71	2.52	2	21	-0.24	-0.18	0.1	-0.04	-0.21					
7. Model label age (in years)	15.63	13.17	2	61	0.08	0.01	0.22	0	0.11	0.19				
8. Quality	3.94	0.81	2	5	-0.06	0.15	0.29	0.27	-0.06	-0.05	0.13			
9. Market share in home country (in %)	1.1	1.78	0	11.08	0.76	0.08	-0.2	-0.12	0.77	-0.19	0	-0.15		
10. Maker market share in home country (in %)	17.36	14.11	0.23	47.19	0.26	0	-0.21	-0.14	0.24	-0.08	0.01	-0.04	0.43	
11. GDP per capita in home country (in USD 1,000)	33.14	8.66	9.55	44.13	-0.12	0.1	0.33	0.23	-0.1	0.11	0.22	0.34	-0.48	-0.47



### 3 | RESULTS

Table 3 shows the relevant coefficients for multilevel negative binomial regression of the impact on sales performance in home countries of outside status. Model 1 is a baseline model consisting of control variables only. Some results for the control variables are worth noting. First, as expected, price and luxury category had a significant and negative relationship with unit sales. Second, while product age also had a significant and negative relationship with sales, implying that more newer models were sold than older models (Barnett et al., 2000; Barron et al., 1994; Kwoka Jr, 1993), model label age did not have a significant relationship with sales. Third, maker market share had a positive and significant relationship with product sales, implying that maker market power has a positive effect on performance of individual models. Like maker market share, the corporate dummy had a positive and significant coefficient, indicating that belonging to a multi-brand corporation has a positive association with product sales.

Next, as expected, the objective measure of quality had a positive and significant relationship with sales. This result is important to test and distinguish the mechanism we are most interested in from that of quality signaling.

Model 2 adds the main independent variable, outside status (from the U.S. market). The significant positive coefficient of the variable ( $\beta = 0.091$ ,  $p = .007$ ) demonstrates that outside status of a product has a positive impact on its performance in home countries, supporting Hypothesis H1. The significant effect of the status variable, while controlling for the effect of quality, lends support to our argument that achieving high outside status creates a social halo that allows the home country audience to bask in reflected glory. In terms of magnitude using the incident rate ratio (IRR), the result indicates a 9.6% increase in the incident rate of sales if a product receives the APEAL awards in the United States. Next, we wanted to test if the effects of outside status mainly come from the winners of the APEAL awards or whether products that were nominated and acknowledged as such also enjoy the halo of the awards. In Model 3, we split the outside status variable into two: award winners and award nominees. While the coefficient for award winners ( $\beta = 0.113$ ,  $p = .000$ ) is greater and more significant than that for award nominees ( $\beta = 0.074$ ,  $p = .041$ ), both coefficients are positive and significant, indicating that being recognized by the prestigious awards in the United States helps boost sales in the home countries.

Model 4 introduces two moderators: price and luxury. First, the addition of an interaction term between outside status and price results in a significant and positive coefficient ( $\beta = 0.002$ ,  $p = .002$ ). In terms of the IRR, the result indicates a 1.8% increase in the incident rate of sales for every \$10,000 increase in price when a product receives the award in the United States. This result implies that the impact of outside status is stronger for products of higher price, supporting Hypothesis H2a. The interaction term between outside status and a luxury dummy variable also has a significant and positive coefficient ( $\beta = 0.237$ ,  $p = .000$ ). This result is consistent with our prediction that the impact of outside status is stronger for luxury products, thus supporting Hypothesis H2b. In terms of magnitude (IRR), luxury vehicles have an incident rate of sales when they receive the award 26.7% higher than non-luxury vehicles receiving the award.

Next, Table 4 shows the effects of economic distance between the home countries and the United States. In Models 6 and 7, the interaction coefficient for outside status and GDP distance is negative, as predicted in Hypothesis H3, but the  $p$ -value is outside the level of significance.

Models 7–10 show the results of the three-way interactions between outside status, price (or luxury), and GDP distance between the United States and home countries. In Hypothesis 4, we predict that the moderating effect of price and luxury category will be weaker when economic distance between the United States and home country is greater, as home country

**TABLE 3** Multilevel mixed-effects negative binomial regression predicting sales in home country

	Model 1	Model 2	Model 3	Model 4
Outside status (H1)		<b>0.0914</b> <b>(0.007)</b>		−0.0381 (0.073)
Award winner			<b>0.1130</b> <b>(0.000)</b>	
Award nominee			<b>0.0739</b> <b>(0.041)</b>	
Outside status × price (H2a)				<b>0.0018</b> <b>(0.002)</b>
Outside status × luxury (H2b)				<b>0.2366</b> <b>(0.000)</b>
Price	−0.0070 (0.000)	−0.0071 (0.000)	−0.0071 (0.000)	−0.0073 (0.000)
Luxury	−0.1501 (0.080)	−0.1599 (0.079)	−0.1605 (0.085)	−0.2460 (0.000)
Sales in home country ( $t - 1$ )	1.64E-05 (0.000)	1.63E-05 (0.001)	1.62E-05 (0.001)	1.64E-05 (0.000)
Age	−0.1195 (0.000)	−0.1172 (0.000)	−0.1171 (0.000)	−0.1167 (0.000)
Label age	−0.0014 (0.824)	−0.0015 (0.791)	−0.0017 (0.759)	−0.0026 (0.607)
Quality	0.1733 (0.007)	0.1738 (0.007)	0.1734 (0.007)	0.1688 (0.010)
Market share ( $t - 1$ )	0.0930 (0.152)	0.0948 (0.140)	0.0948 (0.143)	0.0932 (0.154)
Maker market share ( $t - 1$ )	0.0145 (0.000)	0.0152 (0.000)	0.0152 (0.000)	0.0140 (0.000)
Corporate	0.6541 (0.044)	0.6149 (0.062)	0.6196 (0.061)	0.6760 (0.031)
GDP in home country	−0.0024 (0.846)	−0.0028 (0.818)	−0.0027 (0.825)	−0.0027 (0.839)
Inverse mills ratio	−0.9041 (0.071)	−0.9092 (0.053)	−0.9161 (0.052)	−0.9195 (0.036)
Constant	9.4211 (0.000)	9.4322 (0.000)	9.4359 (0.000)	9.4221 (0.000)
Fixed effects, year	Yes	Yes	Yes	Yes
Fixed effects, home country	Yes	Yes	Yes	Yes
Fixed effects, maker	Yes	Yes	Yes	Yes
Fixed effects, vehicle size and type	Yes	Yes	Yes	Yes

**TABLE 3** (Continued)

	Model 1	Model 2	Model 3	Model 4
<i>N</i>	775	775	775	775
Log pseudo-likelihood	−7,966.95	−7,966.12	−7,966.09	−7,964.18

*Note:* Robust standard errors clustered at the home country of each model; *p*-values are reported in parentheses. Two-tailed tests.

audiences will take information coming from a country with similar economic conditions more seriously in their decision-making. The coefficient for the three-way interaction using the price variable is negative and significant at the 10% level ( $p = .064$  in Model 7), while that using the luxury category variable falls short of significance while being negative as predicted ( $p = .175$  in Model 8).

To better understand these effects, we visualize them in Figures 1 and 2 using post-estimation margins analysis. Since the margins are not estimable with many fixed effects that are constant within the panels, which cause high collinearity, we use models without fixed effects to calculate margins (Models 9 and 10). Note the results are consistent with those with fixed effects (Models 8 and 9) and the coefficients for the three-way interaction terms become significant ( $\beta = -0.001$ ,  $p = .017$  in Model 9;  $\beta = -0.017$ ,  $p = .01$  in Model 10). Figure 1 illustrates how the marginal effect of outside status on sales (y-axis) changes with model price (x-axis) (Meyer, van Witteloostuijn, & Beugelsdijk, 2017). The three lines, each shown with 95% confidence intervals (shaded areas), represent predicted marginal effects for all observations in the sample at three different values of GDP distance: 1) Low—where GDP distance between home country and the United States is one standard deviation below the mean; 2) Mean—at the mean; and 3) High—one standard deviation above the mean. Where the confidence interval encompasses the horizontal “0” line, the marginal effects are not statistically significant, which is the case for most or all of the high line. Consistent with Hypothesis H4a, Figure 1 suggests that when GDP distance is low, relative to mean or high, the positive moderating effect of model price on the marginal effect of award on sales is greatest.

Figure 2 illustrates how the marginal effect of outside status on sales (y-axis) differs between non-luxury and luxury models (x-axis) (Meyer et al., 2017). For each of the three values of GDP distance (low, mean, high), the points (each bracketed by its 95% confidence interval) represent predicted marginal effects for the observations in the sample. The non-luxury and luxury predicted marginal effects for each of the three values of GDP distance is connected by a line for visual clarity. Where the confidence interval encompasses “0”, the marginal effects are not statistically significant, which is the case for non-luxury models irrespective of GDP distance. Consistent with Hypothesis H4b, Figure 2 suggests that when GDP distance is low, relative to mean or high, the positive moderating effect of luxury model on the marginal effect of award on sales is greatest.

### 3.1 | Robustness checks

In addition to the analyses above, we conducted a series of robustness checks. First, we directly tested the effect of status developed in the home country on domestic sales. Because not all the home countries in the sample had awards for automotive products comparable to the

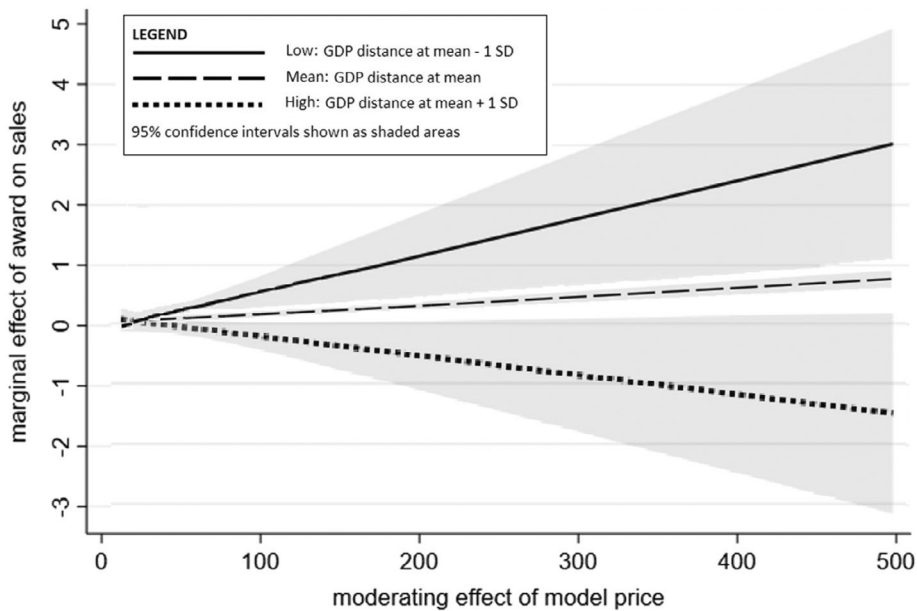
**TABLE 4** Multilevel mixed-effects negative binomial regression predicting sales in home country

	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
Outside status (H1)	0.1508 (0.003)	−0.0260 (0.538)	−0.1237 (0.150)	0.0275 (0.438)	−0.1027 (0.146)	0.0593 (0.224)
Outside status × price (H2a)		0.0019 (0.020)	0.0075 (0.010)		0.0072 (0.004)	
Outside status × luxury (H2b)		0.2454 (0.000)		0.4644 (0.000)		0.4184 (0.000)
Outside status × GDP distance (H3)	<b>−0.0064</b> <b>(0.151)</b>	<b>−0.002</b> <b>(0.541)</b>	0.016 (0.202)	−0.0013 (0.786)	0.0113 (0.269)	−0.0034 (0.544)
Outside status × price × GDP DISTANCE (H4a)			<b>−0.0007</b> <b>(0.064)</b>		<b>−0.0006</b> <b>(0.017)</b>	
Outside status × luxury × GDP distance (H4b)				<b>−0.0225</b> <b>(0.175)</b>		<b>−0.0168</b> <b>(0.016)</b>
Price × GDP distance			0.0005 (0.354)		0.0005 (0.368)	
Luxury × GDP distance				0.0263 (0.000)		0.0171 (0.017)
Price	−0.0070 (0.000)	−0.0073 (0.000)	−0.0092 (0.000)	−0.0070 (0.000)	−0.0115 (0.000)	−0.0087 (0.000)
Luxury	−0.1694 (0.044)	−0.2542 (0.000)	−0.2025 (0.078)	−0.4550 (0.000)	0.0245 (0.918)	−0.1434 (0.501)
GDP distance	0.1455 (0.000)	0.1533 (0.000)	0.1222 (0.001)	0.1474 (0.000)	−0.0607 (0.008)	−0.0461 (0.000)
Sales in home country ( $t - 1$ )	1.60E-05 (0.001)	1.60E-05 (0.000)	1.58E-05 (0.000)	1.57E-05 (0.001)	1.77E-05 (0.000)	1.77E-05 (0.000)
Age	−0.1188 (0.000)	−0.1191 (0.000)	−0.1189 (0.000)	−0.1192 (0.000)	−0.1750 (0.000)	−0.1728 (0.000)
Label Age	−0.0013 (0.810)	−0.0022 (0.658)	−0.0028 (0.584)	−0.0012 (0.834)	−0.0085 (0.000)	−0.0075 (0.001)
Quality	0.1612 (0.002)	0.1567 (0.005)	0.1545 (0.002)	0.1538 (0.002)	0.1310 (0.002)	0.1377 (0.001)
Market share ( $t - 1$ )	0.0969 (0.109)	0.0958 (0.118)	0.1052 (0.064)	0.1052 (0.088)	0.1214 (0.011)	0.1182 (0.017)
Maker market share ( $t - 1$ )	0.0135 (0.000)	0.0128 (0.000)	0.0133 (0.000)	0.0114 (0.000)	0.0027 (0.376)	0.0020 (0.535)
Corporate	0.6876 (0.009)	0.7260 (0.007)	0.7272 (0.001)	0.7719 (0.002)	−0.0055 (0.950)	0.0087 (0.924)

**TABLE 4** (Continued)

	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10
GDP in home country	0.1345 (0.000)	0.1428 (0.000)	0.1265 (0.000)	0.1410 (0.000)	−0.0275 (0.000)	−0.0277 (0.000)
Inverse Mills ratio	−0.9030 (0.040)	−0.8927 (0.042)	−0.8968 (0.024)	−0.8533 (0.074)	0.3693 (0.007)	0.3516 (0.003)
Constant	2.9213 (0.001)	2.5500 (0.003)	3.3895 (0.014)	2.5998 (0.002)	10.7919 (0.000)	10.6775 (0.000)
Fixed effects: year, home country, maker, vehicle size and type	Yes	Yes	Yes	Yes	No	No
<i>N</i>	775	775	775	775	775	775
Log pseudo-likelihood	−7,964.59	−7,962.68	−7,962.61	−7,962.26	−8,014.71	−8,015.32

*Note:* Robust standard errors clustered at the home country of each model; *p*-values are reported in parentheses; two-tailed tests.

**FIGURE 1** The interaction of outside status (award) × price × GDP distance. Post-estimation analysis derived from Model 9 Table 4

J.D. Power and Associates APEAL award in the United States during the observation period, we could not include the product status in the home country in our main models, although we ran two-stage analysis to take the effect into account. In a robustness check, we used the subsample



**FIGURE 2** The interaction of outside status (award)  $\times$  luxury  $\times$  GDP distance. Post-estimation analysis derived from Model 10 Table 4

of models by Japanese automakers only and included a dummy variable for winning the Japan Car of the Year (or JCOTY) awards. This award is given to newly released or redesigned vehicles in the Japanese market from November 1 of the previous year to October 31 of the current year. About 10 finalists along with winners in each segment are announced every year. Having been presented since 1980 and based on the ratings of approximately 60 board members from numerous fields including industry experts, automotive media personnel, and motorists, JCOTY is the most prestigious and representative award in the Japanese automotive market.<sup>7</sup> The correlation between the APEAL awards and JCOTY is 0.1140. Models 11–14 in Table 5 present results of using the Japanese subsample ( $n = 471$ ). After controlling for the lagged status in the home country, Japan, the effect of achieving high status in the United States via receiving the APEAL awards on domestic sales stays positive and significant ( $\beta = 0.289$ ,  $p = .005$  in Model 12). Also, the moderating effect of price and luxury remain positive and significant in Models 13 and 14, respectively, consistent with the results in the main models. These results are important to corroborate the basking in reflected glory mechanism, as the effect of outside status clearly stays significant even after controlling for products' domestic status and their objective quality.

Second, we ran separate models using the subsamples of German and Korean vehicles, respectively, in addition to the subsample of Japanese vehicles. This is to compare the effects of GDP distance in an alternative way (Hypotheses 3 and 4) instead of using the pooled models with a GDP distance variable. During the observation period, the average GDP distance between Japan and the United States is \$5,522 and between Germany and the United States is \$6,190. By comparison, the average GDP distance between Korea and the United States during the period is much greater, at \$25,599. Consistent with the results from the main models and

<sup>7</sup><http://www.jcoty.org/>



TABLE 5 Negative binomial regression predicting sales in home country—subsample by country

	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19	Model 20	Model 21	Model 22
Home country	Japan	Japan	Japan	Japan	Germany	Germany	Germany	Germany	Korea	Korea	Korea	Korea
Outside status		<b>0.2892</b> (0.005)	-0.3366 (0.136)	0.1872 (0.107)		<b>0.2757</b> (0.000)	0.0990 (0.443)	0.0653 (0.315)		<b>-0.1276</b> (0.118)	0.2465 (0.462)	-0.1142 (0.182)
Status in home country	0.2274 (0.030)	0.2075 (0.047)	0.2345 (0.018)	0.1980 (0.054)								
Outside status × price			<b>0.0199</b> (0.002)				<b>0.0026</b> (0.253)				<b>-0.0156</b> (0.244)	
Outside status × luxury				<b>0.5683</b> (0.034)				<b>0.5175</b> (0.006)				<b>-0.2956</b> (0.308)
Price	-0.0095 (0.339)	-0.0115 (0.245)	-0.0231 (0.045)	-0.0128 (0.200)	-0.0115 (0.000)	-0.0113 (0.000)	-0.0112 (0.000)	-0.0112 (0.000)	-0.0350 (0.022)	-0.0363 (0.018)	-0.0352 (0.021)	-0.0380 (0.017)
Luxury	-0.0962 (0.760)	-0.1437 (0.637)	0.0440 (0.881)	-0.2747 (0.324)	-0.5620 (0.050)	-0.5919 (0.027)	-0.5397 (0.041)	-0.7377 (0.001)	0.3727 (0.309)	0.3926 (0.278)	0.4177 (0.215)	0.4975 (0.234)
Sales in home country ( <i>t</i> - 1)	1.76E-05 (0.534)	1.85E-05 (0.505)	1.51E-05 (0.566)	1.77E-05 (0.518)	2.22E-05 (0.120)	2.36E-05 (0.042)	2.20E-05 (0.082)	2.64E-05 (0.017)	2.12E-06 (0.823)	1.78E-06 (0.864)	2.37E-06 (0.813)	1.82E-06 (0.860)
Age	-0.1053 (0.080)	-0.1085 (0.070)	-0.1146 (0.038)	-0.1094 (0.052)	-0.0697 (0.051)	-0.0603 (0.058)	-0.0531 (0.084)	-0.0541 (0.058)	-0.1970 (0.000)	-0.2031 (0.000)	-0.2079 (0.000)	-0.2033 (0.000)
Label Age	0.0010 (0.895)	0.0018 (0.806)	0.0018 (0.799)	0.0016 (0.827)	0.0343 (0.001)	0.0307 (0.001)	0.0270 (0.000)	0.0279 (0.000)	0.0298 (0.237)	0.0323 (0.189)	0.0349 (0.156)	0.0327 (0.185)
Quality	-0.0121 (0.926)	-0.0211 (0.868)	-0.0387 (0.756)	-0.0315 (0.801)	0.2107 (0.312)	0.1867 (0.333)	0.1473 (0.433)	0.2198 (0.198)	0.3171 (0.000)	0.3208 (0.000)	0.3183 (0.000)	0.3181 (0.000)
Market share ( <i>t</i> - 1)	0.2606 (0.789)	0.2071 (0.829)	0.3217 (0.722)	0.2344 (0.805)	1.2404 (0.013)	1.2848 (0.002)	1.2589 (0.004)	1.4262 (0.000)	0.2426 (0.053)	0.2337 (0.086)	0.2409 (0.069)	0.2350 (0.081)

TABLE 5 (Continued)

	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18	Model 19	Model 20	Model 21	Model 22
Maker market share ( $t - 1$ )	0.0131 (0.438)	0.0115 (0.492)	0.0107 (0.525)	0.0090 (0.598)	−0.0413 (0.201)	−0.0436 (0.123)	−0.0466 (0.095)	−0.0293 (0.365)	−0.0047 (0.797)	−0.0055 (0.761)	−0.0051 (0.775)	−0.0060 (0.743)
Corporate	0.4460 (0.608)	0.4286 (0.617)	0.4540 (0.585)	0.5241 (0.538)								
GDP in home country	−0.008 (0.824)	−0.0044 (0.903)	−0.0051 (0.883)	−0.0047 (0.895)	−0.5219 (0.357)	−0.1226 (0.831)	−0.1400 (0.791)	−0.1410 (0.808)	−0.0552 (0.121)	−0.0562 (0.123)	−0.0634 (0.095)	−0.0610 (0.098)
Inverse Mills ratio	−0.4757 (0.607)	−0.3518 (0.704)	−0.1950 (0.820)	−0.3188 (0.715)	5.0516 (0.000)	4.8306 (0.000)	4.8202 (0.000)	4.7235 (0.000)	0.8055 (0.145)	0.8318 (0.126)	0.8992 (0.105)	0.8458 (0.120)
Constant	9.4645 (0.000)	9.3228 (0.000)	9.5812 (0.000)	9.389 (0.000)	30.9865 (0.172)	14.9203 (0.515)	15.7660 (0.453)	15.3359 (0.507)	10.4968 (0.000)	10.5425 (0.000)	10.6320 (0.000)	10.6857 (0.000)
Fixed effects: year, maker, vehicle size and type	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
N	471	471	471	471	106	106	106	106	145	145	145	145
Log pseudo-likelihood	−4,794.67	−4,791.61	−4,787.15	−4,789.82	−1,032.29	−1,028.70	−1,027.80	−1,024.56	−1,515.15	−1,514.28	−1,513.87	−1,514.09

Notes: Robust standard errors clustered at the model level;  $p$ -values are reported in parentheses. Inverse Mills Ratio are calculated separately for each home country; Two-tailed tests. Several observations from the main models in Table 4 are not included here as they are dropped in the first stage.

predicted in Hypothesis H3, the separate analyses of the subsamples show that the positive main effect of outside status is significant only in the Japanese and German market (Models 12 and 16 in Table 5) and not in the Korean market (Model 20). Also, the interaction effect of price was significant only in Japan (Model 13) and the interaction effect of luxury items was significant only in Japan and Germany (Models 14 and 18), supporting our argument that these effects will be stronger in the home countries where audiences consider their economic decision-making more comparable to the United States.

In addition, we conducted other robustness tests that we do not report for the sake of brevity. We ran models with a cultural distance variable, using the six indices from Hofstede, Hofstede, and Minkov (2010)—individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence. While largely consistent with the results using the economic distance variable, these cultural distance models show weaker effects. These weaker findings may be, in part, an artifact of the fact that the economic distance variable changes over time, whereas the cultural distance variable does not. It could also reflect the fact that culture does not change readily. In other models, instead of assuming that overdispersion ( $\ln \alpha$ ) is constant in the multilevel mixed-effect models, we used generalized negative binomial regression to model overdispersion (Hardin & Hilbe, 2007). We included price, model age, label age, and vehicle size and type dummies as parameters of overdispersion. In this supplementary analysis, the outside status variable is positive and significant ( $\beta = 0.248$   $p = .000$ ), supporting the idea of Hypothesis H1 that outside status has a positive effect on domestic market performance. Also, the interaction results are consistent with those from the main models and imply that product price and luxury category moderate the effect of outside reputation (both coefficients are significant at  $p < .000$ ). The coefficient for the interaction term between outside status and GDP distance was negative with its  $p$ -value of .11. Also, we ran models without including the inverse Mills ratio that is calculated from the first-stage analysis. Results are consistent with the main models.<sup>8</sup>

## 4 | DISCUSSION

The aim of this study was to call attention to multiple audience contexts of status and to show how status established among one audience influences the decision-making of another audience with already established expectations about the product. We argued that high status earned in a leading foreign market conveys positive recognition by out-group members, which enables home country buyers' self-enhancement as they associate themselves with the product of high status. In addition, we argued that the impact of outside status is stronger for products of higher price, for those positioned in a luxury segment, and for products based in home countries with less rather than more economic distance with the foreign country. Results from our analysis of the international automotive industry support our arguments.

While the results supported our hypotheses, our approach and analysis are not without several limitations. First, the empirical analysis of this study is based on a single industry. It remains to be seen if outside status and the moderators we have suggested works in the suggested direction in other industries. The international automotive industry provides an excellent context to investigate reverse status transfer because standardized products are introduced in multiple markets and local audiences develop their own expectations about those

<sup>8</sup>All the results are available from the authors upon request.

products. Replication of these results in alternative settings would strengthen our arguments and/or help find important boundary conditions of our findings. The music industry, for example, may also be an appropriate context in which to examine the effects of outside status, as the same songs—thus with the same quality—are evaluated in different markets. For instance, when a song called “Gangnam Style” by a South Korean singer, Psy, was first released in Korea in July 2012, it topped the K-Chart of the Korean Broadcasting System, the national public broadcasting channel of South Korea, for 3 weeks in August 2012, after which its popularity began to level off, which is a normal phenomenon in the music industry. But as the song’s music video went viral online, it topped the music charts of more than 30 countries including Australia, Canada, France, Germany, Italy, Russia, Spain, and the United Kingdom; then, the song regained popularity in the Korean market, breaking the national record to top the K-Chart for 16 weeks by 2013.<sup>9</sup> The song was even performed at the inauguration of South Korea’s new president in 2013. This phenomenon may be interpreted as Korean listeners’ basking in reflected glory; Koreans were already well aware of the song (i.e., little information asymmetry existed), but its status outside the domestic market enhanced its psychological utility of consuming the song.

Second, while beyond the scope of this paper, the idea of basking in reflected glory may be extended to consider how foreign market status might influence domestic sales of all products from the home country.<sup>10</sup> As nationality is one of the most salient influences on individual identity and intergroup behavior (Huddy & Khatib, 2007; Smith, 1993; Tajfel, 1982), outgroup members’ recognition of any product originating from the home country may increase sales of all products from the country by enabling self-enhancement of home country buyers. The degree of spillover effect to other products may differ, though, and be subject to contingencies that need further investigation.

Third, we examined one leading foreign market, the United States, as an outside audience context. It is important for firms to focus on leading foreign markets for strategic and potential advertising purposes (Dukerich & Carter, 2000). Clearly, investigating outside status from the point of view of a leading foreign market was a necessary step to unravel the phenomenon of reverse status transfer. In future research, however, including more heterogeneous foreign markets may offer the opportunity to examine various attributes of audiences that may influence status–performance dynamics. For example, in addition to economic attributes studied here, future researchers can investigate the influence of other country characteristics such as cultural attributes on status spillover by analyzing diverse sets of home and foreign countries.

Despite the limitations, we believe that this study contributes to research on both status and international business. First, building on the social constructionist view of status that emphasizes the role of audiences in developing and interpreting status (Lynn et al., 2009; Sauder et al., 2012; Sullivan & Stewart, 2011) and literature based on social identity theory (Tajfel & Turner, 1985), this study suggests and adds support to a complementary and distinct mechanism by which status affects organizational performance (Jensen, 2003; Podolny & Phillips, 1996; White, 2002). Also, by considering multiple audiences in different social contexts and investigating the effect of status transfer across different markets, this study enriches existing research that has been limited to the observation of one audience in a single market. Whereas the role of status as signaling unobservable quality is emphasized in many previous studies (Benjamin & Podolny, 1999; Gulati, 1995), the results of this study highlight the

<sup>9</sup><http://www.kbs.co.kr/2tv/enter/musicbank/hotnews/chart/index.html>

<sup>10</sup>We thank an anonymous reviewer for raising the point.

advantage status offers by providing a way for enhancing audience' social identity in the situations where quality is less uncertain. This study examines whether and how status outside the focal market affects the decision-making of the audiences in the focal market who already have an established evaluation of the products based on their own perspective.

We argue that status established in another market provides a way for home country audiences to enhance their self-concept by basking in the reflected glory of products from their place of origin that receive positive recognition from out-group members. In the context of our study, for example, high status accrued in the U.S. market may not provide a relevant and, thus, functionally useful signal of quality for Japanese consumers because they have different preferences and tastes in evaluating vehicles from those of U.S. consumers (e.g., As noted earlier, Japanese consumers prefer smaller, fuel-efficient vehicles, whereas U.S. consumers emphasize engine power and versatility and the correlation between the APEAL awards and the JCOTY awards was rather low). Nevertheless, what this study suggests is that Japanese consumers will be more likely to choose a Japanese vehicle when it is positively evaluated in the U.S. market because this high outside status from a leading foreign market will enhance its psychological utility and make consuming the product more attractive. Indeed, we argue that, in addition to the information cues about product quality that underlie a status, the audience context itself in which the status is established conveys additional information to be interpreted. That is, the information that a positive evaluation of a product is made by *out-group* members in a leading foreign market provides a way for the audience in the market from which the product originated to enhance self-concept by basking in the reflected glory.

We do not mean to suggest that outside status does not work as a signal of quality for home market audiences at all. What we suggest is the existence of a complementary mechanism to explain why reverse status spillover to the home country can still occur when outside status works as a poorer signal of quality than inside status. The results of our analysis of higher-priced and luxury goods support our argument, as social approval and prestige-seeking for self-enhancement play a crucial role in the making of purchase decisions for these products. Also, the effect of economic distance between the foreign and the home country adds support to the social comparison theory arguing that similar others have more influence on self-evaluation and self-esteem than comparison with dissimilar others (Festinger, 1954; Suls & Miller, 1977).

This study also contributes to the stream of research in international business. The focus of previous research on market-based internationalization has been on exploiting a firm's intangible assets developed in the home country by transferring them to foreign markets. In comparison, less attention has been paid to building new intangible assets in foreign markets and transferring these assets back to the home country. Though the relationship between social evaluation and country-level factors is of growing importance to scholars studying international business (Deephhouse et al., 2016; Newburry, 2012; Thams et al., 2016), little research has been conducted on reverse status transfer, to our knowledge. This study bridges this gap by focusing on status as a type of intangible asset that a firm can exploit and investigates the transferability of status from a foreign country to the home country. Unlike knowledge transfer, which is intentionally conducted and driven by a firm (e.g., Feinberg & Gupta, 2004; Zhao, 2006), outside status is a byproduct of organizational activities in foreign markets. For a multinational company that has entered multiple foreign markets, product or firm status may be established in each market based on different evaluative criteria, and that status may be delivered back to the home country. The influence of the status, however, may differ depending on the characteristics of products and foreign countries and the relationships between the foreign and home countries. This study provides implications for managers of multinational corporations as to

what outside status they should pay attention to and how they can exploit or avoid the influence of the outside status on domestic market performance.

## ACKNOWLEDGEMENTS

We are grateful for the careful and development feedback during the review process by Associate Editor Glenn Hoetker and by our anonymous referees. We have benefited from the advice and comments of Minyuan Zhao, Ned Smith, Jim Westphal, Gautam Ahuja, Brian Wu, Jon Bundy, Markus Baer, Haiyang Lee, and Zhen Zhang. We would also like to thank Michael Jensen for financial support in purchasing a part of the dataset, Najung Lim for supplementary data collection, and seminar participants at the Ross School of Business, University of Michigan, for valuable feedback and comments.

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**How to cite this article:** Chae H, Song J, Lange D. Basking in reflected glory: Reverse status transfer from foreign to home markets. *Strat Mgmt J*. 2021;42:802–832. <https://doi.org/10.1002/smj.3238>

## APPENDIX A: First-stage analysis predicting the likelihood of models being sold in the United States

	Sold in the United States
Age	−0.0804*** (0.010)
Label age	0.0091*** (0.003)
GDP in home country	−0.0010 (0.017)
GDP in the United States	0.0253** (0.009)
Constant	−1.0748 (0.705)
Fixed effects, home country	Yes
Fixed effects, maker	Yes
Fixed effects, vehicle size and type	Yes
<i>N</i>	2,506
Log likelihood	−1,251.47

*Notes:* To account for the fact that receiving the award reflects as well as predicts firm performance, we used a two-step procedure that first predicts the likelihood of a model being sold in the United States via a probit model, and then controls for that likelihood in a second-stage regression. We used the results from this first-stage probit model to create the inverse Mills ratio to include as a control in the second stage (Hamilton & Nickerson, 2003). *p*-values are reported in parentheses; two-tailed tests.