The influence of organizational status on price & legitimacy in the Bordeaux wine region

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&

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FACTS

Evaluation of organizations by diverse types of audiences occurs on all levels of the activities

⇒ Categories, hierarchies, rankings, classifications are created to simplify a complex reality

⇒ Examples:

⇒ Reputation (Frombrun, 1996)
⇒ Prestige (Perrow, 1961)
⇒ Status (Malter, 2016, Podolny, 1993)
What are the advantages/benefits of Status?

Social advantages

Economic advantages

Legitimacy

Price
Research Question

What is the influence of status as a classification system on price and on legitimacy in the Bordeaux Wine Region?

What are the benefits deriving from intermediary stakeholders (recommendations from wine guide)
THEORETICAL DEVELOPMENT

Several approaches to organizational status (sociology, interactionist, and exchanged-based)

“Social construct based on a classification and order created and accepted by social actors” (Washington & Zajac, 2005).

- **Prestige** (Perrow, 1970) granted to firms due to their hierarchical position within a social structure (Jensen & Roy, 2008),
- **Admiration** due to socially approved qualities (Ellis & Keedy, 1960).

Fundamentally **ordinal** and **categorical** (Deephouse and Suchman, 2008). Ex: 3 levels: lower, middle and higher level of status (Phillips & Zuckerman, 2001).
HOW ARE HIERARCHIES OF STATUS FORMED?

Formation of status hierarchies

- Communicate symbols of status
- Interactions between actors
- Claims are accepted or rejected
- Determination of status hierarchies

Ex Status Claim: # Nobel Price in University in Shangai ranking of universities
THEORETICAL DEVELOPMENT

ECONOMIC BENEFITS: PRICE

SOCIAL BENEFITS: LEGITIMACY

Play according to the rules
• Conformity to regulations, norms, values and taken-for-granted activities

• Different approaches
  • Audiences confer legitimacy based on different dimensions $\rightarrow$ granted legitimacy
  • Actions to get social support from evaluating audiences (stakeholders) $\rightarrow$ strategic legitimacy
Rankings in the French Wine Industry

1224 ➔ King of France hired an English Priest to compare 70 samples and rank them according to their quality (Johnson, 1990)

1855 ➔ Emperor Napoleon III requested an official classification system of Bordeaux Wines for the “Exposition Universelle”
DATA (Work in Progress)

Guide Hachette des Vins - 1884 Bordeaux wines
- 1996
- 2007
- Lagged

Moderating Variable:
- Wine recommended by the guide

Control Variables:
- Wine Age (millésime)
- Age appellation (AOC)
- Size firm (# of bottles)
OPERATIONALIZATION

STATUS (score)
- Established vs. not (Year Created)
- Type of ranking (fixed vs. revised) & official vs. unofficial
- Position within the ranking

ECONOMIC BENEFITS: PRICE
- Hachette Wine Guide

SOCIAL BENEFITS: LEGITIMACY
- Regulatory (Scott, 2001): AOC (generic vs. specific; AOC specificities – yield, space, limited production)
- Industry (Zimmerman & Zeitz, 2002): wine growing & wine making technics (“cuvée, vieilles vignes”)
- Market qualities (Dacin & al., 2007): get closer to consumer & expand activities (i.e., wine tasting, visits, etc.)
### Preliminary Results

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<tr>
<th></th>
<th>Legitimacy</th>
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<td>Adj R-squared</td>
<td>18.78%</td>
<td>22.72%</td>
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PRELIMINARY RESULTS

Status

Positive influence

Negative influence

PRICE

LEGITIMACY
PRELIMINARY RESULTS

Recommended by Wine Guide

X

Status
CONCLUSION

Contribute to Status concept and its influence

Analyze simultaneously

• Institutional and competitive pressures that organizations are facing
• Social & economic benefits from status

Managerial implications

• Wine producers engage (or not) in ranking systems?
• Receive social support?
• OR
• Gain economic efficiency in a globalized world
WE THANK YOU FOR YOUR ATTENTION !!!

QUESTIONS ????