Received: 21 December 2021 | Revised: 1 July 2024 | Accepted: 16 July 2024

DOI: 10.1002/smj.3651

RESEARCH ARTICLE

SMS | Strategic Management Journal

WILEY

Double-edged stars: Michelin stars, reactivity, and restaurant exits in New York City

Daniel B. Sands

UCL School of Management, University College London, London, UK

Correspondence
Daniel B. Sands, UCL School of Management, University College London, Level 38, One Canada Square, London E145AA, UK.
Email: daniel.sands@ucl.ac.uk

Abstract

Research Summary: This article develops a theoretical framework to explicate how third parties, who are not transactionally involved in a given exchange relationship, can promote or impede the creation and capture of value by influencing market actor beliefs and behaviors. I investigate these issues empirically through an abductive mixed-method case study of the Michelin Guide's entry into New York City. An examination of two decades of the openings and closings of New York City's elite restaurants indicates that receiving a Michelin star corresponded to an increased likelihood of restaurant exit. Michelin stars appear to have fostered disruptions at recipients' upstream and downstream interfaces, which inhibited their ability to capture value. This ultimately underscores how value network reactivity to third-party evaluations may lead to unintended consequences for firms.

Managerial Summary: This article explains how third-party evaluators' reviews, ratings, and rankings can promote or impede the creation and capture of value. This occurs because third-party evaluations engender reactions by those being evaluated, as well as reactions by other market actors such as competitors and exchange partners. I study these issues within the

context of the Michelin Guide's entry into New York City, and my findings indicate that restaurants that received a Michelin star were more likely to close in subsequent years. Evidence suggests that intensified bargaining problems with landlords, suppliers, and employees, along with heightened consumer expectations, created new challenges for these Michelin-starred restaurants, which ultimately made it more difficult for them to stay in business.

KEYWORDS

evaluations, ratings and rankings, reactivity, restaurant industry, status, third parties, value creation and capture

1 | INTRODUCTION

There has been a dramatic proliferation of third-party reviews, ratings, and rankings in recent years, and a rich body of work in management and related disciplines has demonstrated that these systems of evaluations can have significant influence on the activities of market actors. Favorable evaluations have been shown to be beneficial for firms by providing legitimacy (e.g., Rao, 1994), better access to resources (e.g., Dineen & Allen, 2016), or enhancing consumer demand (e.g., Luca, 2016). Nevertheless, research has also demonstrated that there can be a dark side to third-party engendered status shocks when they produce new anxieties (e.g., Favaron et al., 2022), encourage risky behavior (e.g., Jensen & Kim, 2015), or create product-consumer misalignments (e.g., Kovács & Sharkey, 2014). These various findings complicate our view of the strategic consequences of third-party evaluations. Moreover, they underscore both the theoretical importance and practical relevance of better understanding how systems of evaluation shape the distribution of value in markets.

This article contributes to our understanding of the role of third parties in strategic management by developing a theoretical framework that situates third-party evaluations within a value-based view (VBV) of strategy lens (e.g., Brandenburger & Stuart, 1996) to address open questions about how third parties affect firms' ability to create and capture value. This novel application of VBV provides a structural apparatus for investigating third parties' influence in markets that allows socially constructed meaning and identities to remain central to actors' beliefs and behaviors (e.g., Cattani et al., 2017; Cattani et al., 2018; Sands et al., 2021). These developments ultimately offer a generative and nuanced perspective of how value network reactivity to third-party evaluations influences markets and potentially leads to unintended or counterintuitive outcomes—notably, that even favorable evaluations of a focal firm can exacerbate value appropriation challenges that detrimentally affect the firm's survival.

This theoretical foundation serves as the basis for examining the Michelin Guide's entry into New York City in 2005, which was the first time that Michelin began awarding its stars to restaurants outside of Europe. I use an abductive approach to explicate the dynamics of value network reactivity to Michelin's awarding of stars, and the empirical investigation begins by leveraging archival qualitative material and interviews with New York City restaurateurs to first

provide insight into changes in beliefs and behaviors that were triggered by Michelin's evaluations. While restaurateurs frequently reflected on a feeling of achievement after receiving a Michelin star and highlighted that this led to a heightened focus on their restaurant, their staffs, and themselves, the consequences of Michelin stars were not all necessarily favorable. Restaurateurs also emphasized how relationships with employees, landlords, and suppliers became more strained as these exchange partners sought to bargain for more value. Likewise, a changing composition of consumers and heightened customer expectations placed new pressures on these restaurants' operations. These findings suggest that Michelin stars came along with new challenges and disruptions that may have put these restaurants at greater risk of exit. The raw data alone point to notable rates of exit for Michelin-starred restaurants—more than 40% of the first 10 cohorts of Michelin-starred restaurants in New York City had closed by the end of 2019. Accordingly, this article's primary quantitative investigation assesses the impact of Michelin stars on the likelihood of restaurant exits using a two-decade panel (2000–2019) of the openings and closings of New York City's most elite restaurants. Estimates from parametric proportional hazards model regressions indicate that the receipt of a Michelin star corresponded to an increase in restaurant exits. A variety of robustness checks and supplemental analyses corroborate these results and provide evidence consistent with the theoretical framework and qualitative findings.

Ultimately, this article underscores that value network reactivity to third-party evaluations can lead to dramatic and sometimes counterintuitive effects on market outcomes. It shows that examining reactivity across value networks is crucial for understanding how third-party evaluations affect firm performance, and it builds from the insights of related works that have addressed how such reactions play out at the level of the focal organization (e.g., Chatterji & Toffel, 2010; Favaron et al., 2022; Gergaud et al., 2015; Sharkey & Bromley, 2015). By advancing a theoretical framework that incorporates third parties' influences on value creation and capture, this research helps disentangle and explain the complex social dynamics underpinning strategic action in markets, as well as the relatively high rates of exit by Michelin-starred restaurants in New York City during the first two decades of the 2000s.

2 | THIRD-PARTY EVALUATION IN MARKETS

Third-party evaluation research has a long and interdisciplinary history (e.g., Biglaiser, 1993; Blank, 2006; Cohen & Golden, 1972; Eliashberg & Shugan, 1997; Esposito & Stark, 2019; Nelson, 1970; Shrum, 1991; White, 1992; Zuckerman, 1999), and research studying the effects of third-party evaluations on firm behavior and their outcomes has developed to form a core body of scholarship in strategic management. Rao (1994), notably, provided a foundation in this space by positing how firm survival in the early automobile industry was positively impacted by victories in third-party certification contests (see also Goldfarb et al., 2018). More recent research has produced a nuanced understanding of how various types of third-party evaluations can impact organizations and influence markets (e.g., Chen et al., 2012; Eberhart & Armanios, 2022; Gallus & Frey, 2016; Graffin & Ward, 2010; Greenberg et al., 2024; Lewis & Carlos, 2023; Sands, 2021; Sine et al., 2007).

Theories of status and third-party engendered status-shocks (e.g., Merton, 1968; Podolny, 1993), in particular, have been among the most influential conceptual foundations underpinning our understanding of third-party evaluation within the management literature (see also George et al., 2016; Piazza & Castellucci, 2014). Work building on these perspectives

has emphasized that enhanced status positions can provide actors with access to better resources (e.g., Benjamin & Podolny, 1999; Simcoe & Waguespack, 2011), insulate them from potentially negative events (e.g., Kim & King, 2014; Sharkey, 2014), and generate new opportunities (e.g., Podolny, 1994; Rossman et al., 2010). Moreover, research has depicted how status hierarchies in markets can be reinforced or reordered due to the activities of third-party evaluators (e.g., Bermiss et al., 2014; Bowers & Prato, 2018, 2019; Sauder, 2006, 2008), which points to their dynamic role in shaping various industries.

Scholarship has demonstrated that third-party evaluations influence firms' social and financial performance, and such work has principally stressed the various benefits that can accrue due to favorable assessments (e.g., Azoulay et al., 2014; Luca, 2016; Reinstein & Snyder, 2005). While acknowledging these positive effects, other work has complicated this picture by highlighting a "dark side" of favorable third-party evaluations, wherein sudden status shocks create unintended and undesired consequences (Sharkey, 2018). Thus, in addition to their positive effects, favorable third-party assessments have also been shown to generate challenges that arise from actors changing their behaviors and from subsequently being evaluated by new audiences (e.g., Hahl et al., 2017; Hahl & Zuckerman, 2014; Jensen & Kim, 2015; Kovács & Sharkey, 2014). Research indicates that ratings and rankings can produce internal insecurities (e.g., Favaron et al., 2022; Sauder & Espeland, 2009), while the visibility of even seemingly favorable third-party evaluations can also lead stakeholders to question the focus of a focal actor (e.g., Carlos & Lewis, 2018; Lanahan & Armanios, 2018; Lewis & Carlos, 2023).

The fact that both positive and negative effects may manifest due to firms being evaluated, rated, and ranked underscores the rich complexity and nonobviousness of their performance outcomes. Pragmatically, it complicates our picture of how firms do or should respond to evaluations. Accordingly, key open questions remain about how, if, and the extent to which third-party evaluations affect the creation and capture of value in markets.

2.1 | Evaluation and value network reactivity

In order to help address questions about how third-party evaluations can shape value creation and capture and affect market outcomes, I build from the prior research on evaluation and integrate it within a value-based framework. This approach follows related scholarship that has similarly emphasized that the plasticity of the VBV lens can provide a "broad heuristic for understanding the general competitive process at the core of markets" (Cattani et al., 2018, p. 635), which makes it a "unifying framework" for strategy scholars working in diverse areas (Chatain & Mindruta, 2017, p. 1964). Using VBV in this way focuses on extricating the dynamic effects of third-party evaluations across a value network (e.g., Durand et al., 2017; Hoopes et al., 2003; Leiblein, 2011), while also ensuring that meaning and identity remain central to actors' beliefs and their market activities (e.g., Jensen et al., 2011; Pollock et al., 2019; Porac et al., 1989; Ravasi et al., 2012; Weick, 1995).

Value-based strategy (e.g., Brandenburger & Stuart, 1996) begins with the idea that value creation and capture extend from free-form bargaining among actors in a value network—that is, the "collection of agents connected to one another via chains of transactions that, taken together, ultimately result in the production of economic value [...] from the most upstream resource providers all the way down through the final consumer" (Gans & Ryall, 2017, p. 18). This approach, therefore, has generally emphasized the actions of transaction partners in explaining value creation and capture. The extensive research on third parties in strategic

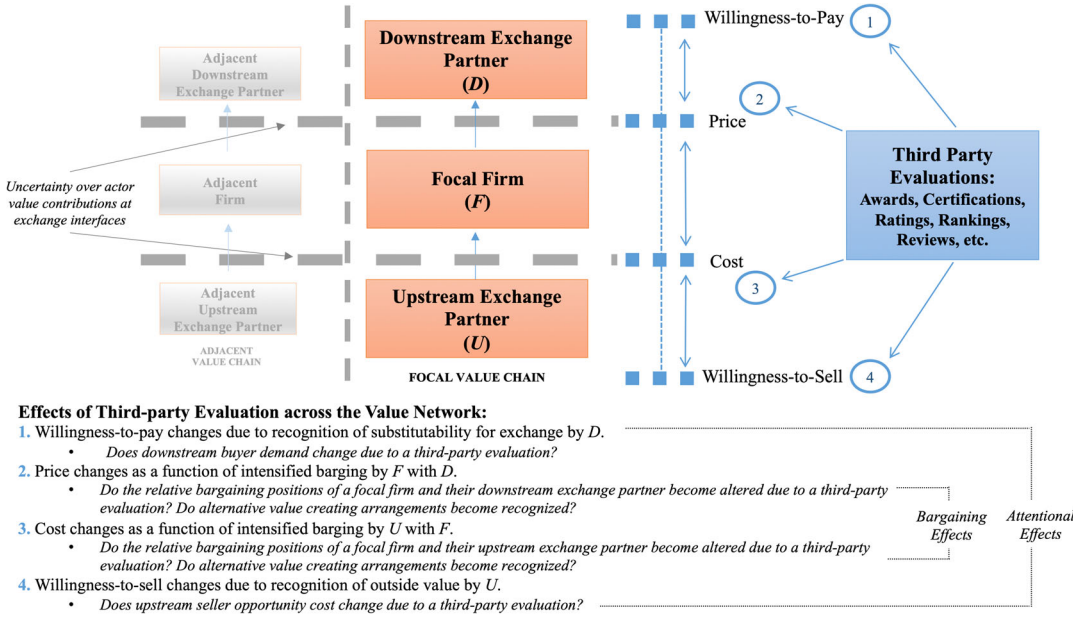

FIGURE 1 Value network with third parties.

management, however, underscores that there is the potential to miss out on critical explanations of firm behavior and performance if frameworks omit the influence of outside actors.

The inherent uncertainty underpinning a focal actor's beliefs about the value contribution of others, as well as the uncertainty underpinning beliefs about their own contribution, means that third-party evaluations have the potential to disrupt the stability of existing exchange relationships. Indeed, we know from work on "reactivity" that actors "change their behavior in reaction to being evaluated, observed, or measured" (Espeland & Sauder, 2007, p. 1),[1] and a dense stream of scholarship has identified these effects across various settings (e.g., Chatterji & Toffel, 2010; Elsbach & Kramer, 1996; Ody-Brasier & Sharkey, 2019; Rowley et al., 2017). Situating and extending this concept within a VBV framework recognizes both that responses to third parties may occur from anywhere within the value network and that they can create consequences for value creation and capture.

Building from the "status quo configuration" setup used in prior VBV scholarship (Gans & Ryall, 2017, p. 38), let me now introduce a third party who evaluates a focal firm and their evaluation is observed by others (see Figure 1). Here, value creation and capture would be altered by the third party if their evaluation influences willingness-to-pay, willingness-to-sell, price, or cost. Changes in the total value of a transaction come from a third party's influence on the willingness-to-pay of downstream exchange partners or the willingness-to-sell of upstream exchange partners—that is, third-party engendered attentional effects. Value capture remains a function of bargaining between exchange partners, but the third party can affect the distribution of value captured by each actor through influencing their relative bargaining positions—that is, third-party engendered bargaining effects. That third-party evaluations can lead to both

[1]Espeland and Sauder (2007) original concept of reactivity addressed the evaluated actor's reactions to being evaluated. The conceptual extension to value network reactivity provided in this work, therefore, considers not only the evaluated actor's reaction but also other actors' reactions to the focal actor's evaluation.

a shifting of attention to new arrangements (see also Ocasio, 1997; Shepherd et al., 2017) and an altering of bargaining positions (see also Chatain & Plaksenkova, 2019; Grennan, 2014) elucidates how firm performance is a consequence of multifaceted processes that play out across the value network. Distinguishing between attentional effects and bargaining effects denotes that third parties can affect the size of the overall value pie, the size of the slice that each actor captures, or both (Cattani et al., 2018).

Further extending the concept of reactivity within this framework builds from prior research toward disentangling how changes in value creation and capture may be driven by reactions from either a focal actor or by the other actors in the value network. Indeed, focal actors will not necessarily be unaffected if they choose to not respond to their evaluations (e.g., Elsbach & Kramer, 1996; Lewis & Carlos, 2022; Wang et al., 2016). Likewise, research has demonstrated that reactions to third-party evaluations may occur by adjacent actors that have not been evaluated (e.g., Favaron et al., 2022; Sharkey & Bromley, 2015) and that unevaluated competitors may even react more strongly to third parties (e.g., Darnall & Sides, 2008). Moreover, prior work has shown that adjacent downstream (e.g., Kovács & Sharkey, 2014) and adjacent upstream (e.g., Dineen & Allen, 2016) actors also react to third-party evaluations.

The novelty of embedding third-party evaluators within this VBV framework brings forward some critical considerations with respect to how third parties affect markets, and it illuminates how reactivity across the entire value network needs to be considered to disentangle any overall outcome. Although prior studies have suggested that favorable third-party evaluations of focal firms may lead to increases in downstream actors' willingness-to-pay (e.g., Anderson & Magruder, 2012; Luca, 2016), observing such an increase does not necessarily mean that the focal firm will capture more value. A focal firm may capture less value in either relative or absolute terms if bargaining positions of exchange partners become more advantageous. For example, bringing third parties into the value network introduces the possibility that overall value may be created or reduced depending on how bargaining positions are altered through changes in actor beliefs or behaviors (e.g., Chatain & Plaksenkova, 2019; Grennan, 2014; Groysberg et al., 2011; Sands, 2022). A seemingly positive status shock brought about by a third party can yield negative performance outcomes to a focal firm if an exchange partner believes that there is value to be captured by bargaining harder, and the recognition of this sort of unrealized power play by an exchange partner can (e.g., Barnhizer, 2005), therefore, make it harder for focal firms to capture value regardless of changes to overall value.

This theoretical framework provides structure for thinking about the role of third parties in value creation and capture, and I will apply it in examining the Michelin Guide's entry into New York City. This case study proceeds from qualitative to quantitative analyses using an abductive logic to enhance our understanding of the value dynamics triggered by third-party evaluations (e.g., Bamberger, 2019; Behfar & Okhuysen, 2018; King et al., 2021; Sætre & Van de Ven, 2021). Such an approach is especially useful in laying groundwork for emerging theoretical insights about a phenomenon weakly explained in current theory (e.g., Huang & Pearce, 2015; Krishnan et al., 2021). Thus, the subsequent qualitative examination of Michelin's New York City entry will be informative of strategic action in the value network, which will help contextualize the quantitative investigation into the effect of Michelin stars on restaurant exits.

3 | THE MICHELIN GUIDE IN NEW YORK CITY

The Michelin Guide originated in France in 1900, and early Michelin Guides were intended to encourage automobile traffic by providing lists of dining and lodging options to potentially

interested travelers. This, in turn, was supposed to increase Michelin's sales of tires, which was then and still remains their core business. These early Guides were popular with consumers, and over the next two decades, various editions covered Belgium, the United Kingdom, and other European countries. Michelin established its stratifying star rating system by the mid-1930s (Harp, 2001). By mid-century, the Michelin Guide and its stars had become synonymous with fine dining and the elites of the culinary world (see also Durand et al., 2007; Lane, 2013; Rao et al., 2003, 2005), but the Michelin Guide nevertheless remained solely a European product for more than a century after its creation.

It was not until 2005 that the Michelin Guide expanded beyond Europe for the first time when it began evaluating restaurants with a New York City edition.[2] Highlighting the significance of this event, the head of Michelin announced: "A New York guide is part of an old dream of mine. [...] New York is the gateway. New York makes you discover other cuisines" (Fabricant, 2005). Owing to its reputation for producing evaluations for the most elite European restaurants, the Michelin Guide attracted considerable attention in New York right from the start (Davis, 2009; Ferguson, 2008). Dramatic headlines such as "The Tire Man Eats New York" (Fabricant, 2005) and "Countdown to Michelin's New York City Arrival" (Steele, 2005) oriented audiences to this New York City edition of the Michelin Guide. Florence Fabricant (2005) of the New York Times commented, "New York restaurants, already on constant lookout for the critics, both professional and amateur, now have to contend with another group of reviewers: Michelin inspectors."

Michelin's professional restaurant critics, as indicated with the above quote, are referred to as "inspectors," and their identities remain anonymous to both the evaluated restaurants and the readers of the Michelin Guide (Colapinto, 2009). To produce evaluations, Michelin trains and employs teams of inspectors who each eat at hundreds of restaurants every year and, collectively with an editor, determine which restaurants receive stars. Michelin states that their stars are awarded solely for the quality of food,[3] and inclusion in the Michelin Guide, at all, is considered a sign of favorable evaluation. Restaurants are reevaluated for subsequent editions with the same anonymous process taking place, meaning that a restaurant that had received a star in a prior year might keep their star, move to a higher/lower star-level, or lose their star status altogether in following years. For chefs and staffs, receiving a Michelin star can be a career goal, and celebrity restaurateurs such as Gordon Ramsay have portrayed them as "the Oscars of restaurant industry" (Heighton-Ginns, 2018). During an interview, one Michelin-starred restaurateur stressed that her cooks became acutely "focused on being *the Michelin Star restaurant*" (her emphasis in italics). A consequence of the Michelin star system is that "Michelin chefs can never relax, and instead, have to show constant vigilance" (Lane, 2013, p. 359), which underscores the pressure of having restaurateurs' energies and identities so heavily tied to obtaining and maintaining stars.

More than 100,000 New York City Michelin Guides were sold in its first year of release. Chefs across the city, many of them familiar with Michelin from parts of their careers in Europe, appeared engaged with Michelin from the beginning (Fabricant, 2005). A cohort of 39 New York City restaurants were recognized with a Michelin star in its inaugural year,[4] and

[2]Yearly Michelin Guides are released in the preceding fall. Thus, it was the "2006" edition of the New York City Michelin Guide that was first released in November 2005.

[3]The general criteria used to determine the quality of food is "quality of the ingredients used, mastery of flavor and cooking techniques, the personality of the chef in the cuisine, harmony of flavors, and consistency between visits" (Michelin, 2019).

[4]Note that by the end of 2019, 19 of these first 39 Michelin-starred restaurants in New York City had closed.

there remained intense media focus on the restaurants that received stars with the release of subsequent editions (e.g., Kludt, 2009; Sytsma, 2012). A Michelin-starred restaurateur reflected on this transformation in a 2019 interview: "I think Michelin has become very important, which is interesting. It seems to have replaced the New York Times in its importance."

3.1 | Changes in behavior and beliefs across the value network

Given the extensive media coverage and general industry excitement around the Michelin Guide's entry into New York City, it should come as no surprise that those restaurants that were awarded stars received considerable attention from a variety of different market actors. But what was the effect of Michelin stars on these restaurants?

Two pieces of prior research have been especially informative on this issue, each of which concern themselves with changes in restaurant behavior following the entry of the Michelin Guide into a location. First, Gergaud et al. (2015) show that after Michelin's New York City entry, restaurants appearing in the Michelin Guide were more likely to receive higher consumer assessments in dimensions related to food and décor quality. Second, Favaron et al. (2022) use the 2016 entry of the Michelin Guide into Washington DC to unpack how restaurants modified their self-presentation through menu changes that aligned with perceived Michelin standards. Both of these works indicate that the Michelin Guide's entry spurred restaurants to make notable changes to their operations, and this insight helps guide the subsequent qualitative investigation.

In this section, I build from the theoretical framework by engaging with qualitative material to help unpack how value network reactivity affected Michelin-starred restaurants.[5] These data include archival media coverage and 23 first-hand interviews with restaurant owners, managers, and chefs from some of New York City's most elite restaurants. The following subsections map onto the theoretical framework by examining effects from Michelin stars at restaurants' upstream and downstream interfaces to shed light on distinct mechanisms that could impact value creation and capture and the value dynamics underpinning restaurant survival.

3.1.1 | Upstream consequences

At the focal firm's upstream interface, this qualitative investigation suggests that Michelin stars impact restaurants by affecting willingness-to-sell or the bargaining positions held by restaurants' upstream exchange partners—notably, landlords, food suppliers, and employees who recognize the value of their inputs by observing their downstream use (e.g., White, 2002). As attention is oriented to a focal restaurant via receipt of a Michelin star, upstream suppliers may believe that the focal restaurant is relatively more dependent on their input to maintain the star. Hence, willingness-to-sell can change such that upstream exchange partners believe they should receive more for their contributions. Likewise, upstream exchange partners could have their bargaining positions enhanced since restaurateurs face pressure to meet the expectations of Michelin inspectors reevaluating the restaurant for next year's edition. To the extent that there are limited substitutes for their inputs, an upstream exchange partner may seek better outside options, decreasing the overall value in the value network, and/or find themselves in an

[5]Additional detail is available in the qualitative material overview provided as Supporting Information Appendix 1.

advantageous bargaining position after a focal restaurant receives a Michelin star. Indeed, each of these examples were brought up in my interviews with New York City restaurateurs, and they collectively indicate how Michelin stars may have been a detriment to restaurant survival.

Failure to reach an agreement with landlords was regularly referenced in interviews, and in the archival data, this was a reoccurring theme described by restaurateurs when discussing why their businesses ceased operations. Restaurateur Danny Meyer (2014) of Union Hospitality Group expressed this general sentiment in a New York Times op-ed about having to relocate his restaurant, Union Square Cafe: "It's hard to come to grips with the notion that our success has, in part, contributed to our inability to remain in our neighborhood." Restaurateur Charlie Kiely reiterates this point: "When we opened [Grocery], the street was crime-ridden, so rents were affordable. But once it caught on, everyone wanted to be on Smith Street, and then landlords got wise to the trend, and then they got greedy" (Strong, 2016). One of my Michelin star-recipient interviewees similarly commented: "We have invested a lot of money into the place—you really need to. But it makes the value of the real estate go up." Accordingly, landlord reactivity may play out by them seeking to bargain harder for value in their subsequent negotiations with restaurants.

Being awarded a Michelin star also has the potential to restrict the focal firm's substitutability of suppliers since these restaurants want to use only the highest quality ingredients to maintain their star status. Even in a market as large and diverse as New York City, there are products for which there exist few substitute suppliers able to provide the very highest quality ingredients to restaurants. Hence, it can be difficult for restaurants to find alternative suppliers for such ingredients because, for example, special transportation and storage facilities are needed for products like fresh truffles that begin to spoil quickly and the best seafood needs to be flown in live from various locations to maintain optimal flavor (Kilgannon, 2018). To the extent these are seen as key input for obtaining a Michelin star, noting again that their stated criteria underpinning the overarching quality of the food assessment includes "quality of the ingredients" (Michelin, 2019), there may be more restaurants competing over the limited supply of the choicest and freshest ingredients. Thus, the bargaining position held by suppliers of these products can be significant. For example, Regalis Foods "charges $1,600 to $2,000 per pound for white truffles and up to double that rate in lean cultivating seasons when the supply is short" (Kilgannon, 2018). Restaurants can, therefore, find themselves in disadvantageous bargaining positions wherein they capture less value when moving a key product through the value chain. One of my interviewees commented that their cooks sought out even better ingredients after receiving a Michelin star, but "the margins get worse when you are at the very high end of beer and food, but that's what they needed." He went on to say, "just maintaining [the Michelin star] was too expensive."

Being awarded a Michelin star not only directs attention to the restaurant, it also reflects attention onto the employees who contributed to the restaurant's success (see also Chae et al., 2021). Correspondingly, the value of these employees may be enhanced as their quality of work becomes more salient to others who could seek to hire them away or provide them with access to funding to start their own restaurants. Although Michelin makes it explicit that stars are awarded to the restaurant and not to any individual (Michelin, 2016), key employees often become more recognized for their contributions to a Michelin-starred restaurant. The apprentice-master relationship where a head chef trains and mentors subordinate chefs is especially common in fine dining (Fine, 1996; Slavich & Castellucci, 2016), and the idea that employees' outside value increases following the receipt of a Michelin star came up regularly during my interviews. One interviewee highlighted that her employees wanted the restaurant

to receive Michelin stars, in part, so they could have better job opportunities elsewhere: "I think that as a matter of pride, the back of the house wanted to get good reviews. It also looks good on their resumés." This, too, suggests that Michelin stars may exacerbate the interfirm transfer of knowledge and routines within the industry (e.g., Wezel et al., 2006). Another interviewee described the period immediately following the receipt of their Michelin star as difficult because [the cooks] "realized that it's getting busier. And [...] they start haggling you for more pay, more pay, more pay."

3.1.2 | Downstream consequences

The interview and archival material stress that when a restaurant receives a Michelin star, downstream attention is directed to it. Not only do Michelin-starred restaurants appear with a star next to their name in the Michelin Guide, highlighting the restaurant for foodies that follow the guidebook, this recognition is also heavily covered in the media. While this may bring in new customers, it can also lead to heightened expectations (Pita, 2015), and the characteristics of consumers who transact with a focal restaurant may change following the receipt of a Michelin star (Kashner, 2015). This could lead to a customer base that has tastes that become relatively misaligned with the restaurant's offerings (e.g., Kovács & Sharkey, 2014). Meeting the demands of Michelin-primed consumers can be a difficult and costly challenge for a restaurateur. Restaurateur Skye Gyngell (of Petersham Nurseries Café, London) even went so far as describing the heightened consumer expectations following his Michelin star as a "curse" due to the burden that it imposed (Kashner, 2015). Another interviewee remarked that receiving their Michelin star was "kind of like a heavy burden to bear" since customer "expectations go higher when you see somebody with a star."

Restaurateurs indicated that heightened consumer expectations were immediately apparent and could pose new challenges for their businesses based on their own second-order reactions. One interviewee commented that their responses to changing customer expectations included a reorganization of the seating schedules, and they "also added new, bigger tables to make it more comfortable," even while recognizing that the restaurant would not gain any additional revenues from it. He noted that receiving their Michelin star had positively affected sales initially, but that there seemed to be a more limited positive sales effect in their second and third years of being starred: "It was just a quick bump. In the first year of getting the star, things definitely got busier though—we had lots more tourists coming in. You know, people in town that just want to see something special." Thus, even the positive benefits of such status shocks may be double-edged to the extent that they are coupled with new costs (e.g., Bothner et al., 2012).

The notion that perceived changes in customer expectations encourage Michelin-starred restaurateurs to respond by changing their business activities reinforces other research that has examined audience denigration of high-status actors and corresponding focal actor reactions (e.g., Hahl et al., 2017; Hahl & Zuckerman, 2014). Favaron et al. (2022), for example, highlight how Michelin's entry in Washington D.C. led elite restaurateurs to modify their operations to emphasize and reinforce their status positions (see also Gergaud et al., 2015). Importantly, for the purposes of understanding value network reactivity, Favaron et al. also show that lower-status competitors may seek to mimic the profile of Michelin-starred restaurants, which has the potential to intensify competition for customers. These downstream consequences again indicate ways in which restaurant survival may have been negatively impacted by the receipt of a Michelin star.

4 | QUANTITATIVE INVESTIGATION

The theoretical framework and qualitative material have helped illustrate how value network reactivity led Michelin-starred restaurants to face increased disruptions at both their upstream and downstream interfaces, which may have made it harder for them to stay in business. Accordingly, I now turn to a quantitative investigation of the Michelin Guide's entry into New York City for the purpose of examining the effect of Michelin stars on restaurant exits. Strategic management research has long used the creation and dissolution of organizations as a core measure of performance (Josefy et al., 2017), and foundational research on third-party evaluation has focused on survival as a key metric (e.g., Rao, 1994). While other measures can also yield important insights, focusing first on examining restaurant exits provides a critical overarching outcome of interest that could be driven by value network reactivity to third-party evaluation.

4.1 | Data and method

4.1.1 | Data

Data collection was focused on establishing the set of restaurants that were potentially "at risk" of receiving a Michelin star following Michelin's entry into New York City in 2005. Fortunately for research purposes, this setting provides an alternative third-party evaluator that can be used to develop a baseline sample of such restaurants—the New York Times restaurant critics who focus on evaluating the city's new restaurants. Accordingly, dataset construction began with compiling the list of all newly opened restaurants, inclusive 2000–2014, that received a New York Times starred review, which establishes a set of subjects that received a favorable professional critic evaluation during their first year of operation.[6] The continued operation or exit of these restaurants was then tracked through 2019. This provides the foundation for a two-decade panel dataset of elite New York City restaurants that were at risk of receiving a Michelin star and yields a total of 2989 subject-year observations of 276 different restaurants[7] (see Table 1).

4.1.2 | Dependent variable

The dependent variable for the primary analyses is an indicator of whether a restaurant has gone out of business in a given year or not. Accordingly, the dependent variable is a binary

[6]The focus on identifying entry cohorts as part of the research design helps address concerns about selection and immortality bias (e.g., Webster, 2011). Likewise, extremely long-standing restaurants may face different social or economic conditions because of upstream value chain integration or solidified relationships, and their responses to third-party evaluations may also differ. Restaurants are observed through 2019 and new ones are not admitted to the sample after 2014, which means that even right-censored subjects will be observed for at least 5 years. Supporting Information Appendix 2 provides additional information about dataset construction.

[7]These initial subject selection criteria can be validated as establishing an effective sample of restaurants that were at risk of receiving a Michelin star by reconciling these data with the fact that it is known, *ex post*, which restaurants obtained a Michelin star: Only 13 of the Michelin-starred restaurants that could have been considered in the study window did not receive a New York Times review before their Michelin star, and only four Michelin-starred restaurants had previously obtained no stars in their New York Times review. In essence, a favorable New York Times evaluation can be seen as a precursor to being awarded a Michelin star. Results are, nevertheless, consistent when using an expanded sample with these 17 restaurants included; see Supporting Information Appendix 3.

TABLE 1 Descriptive statistics and correlation matrix.

Descriptive statistics and correlation matrix for selected variables								
	Descriptive statistics			Correlation matrix				
	Subjects	Mean	Std. Dev.	1.	2.	3.	4.	5.
Year opened (1)	276	2008.1	3.8852	1				
Michelin starred (2)	276	0.3333	0.4723	−0.0264	1			
Female (3)	276	0.1268	0.3334	0.0645	0.0770	1		
Restaurant group (4)	276	0.4710	0.5001	0.1749	−0.1283	−0.0978	1	
NYT stars (5)	276	1.7101	0.7156	0.0309	0.4914	0.0175	0.0577	1
NYT cost (6)	276	3.0254	0.7695	−0.0650	0.2668	−0.0693	0.1673	0.3634
Year exit (7)	77	2014.99	2.9041					

Note: Baseline data consist of 2989 subject-year observations of 276 subjects (restaurants) and 77 exits. This includes 2084 observations of non-Michelin-starred restaurants (184 subjects), and 905 observations of Michelin-starred restaurants (92 subjects). For the 92 Michelin starred restaurants, 175 subject-year observations occur before their receipt of a Michelin star, and 730 subject-year observations occur after receiving their Michelin star.

variable that equals one if restaurant i is closed at time t and zero in all other years since its founding. For the set of 276 restaurants in the sample, there are 77 observed exits (28%), and the rest of the subjects did not exit through 2019 (i.e., are right-censored). Thus, at the level of the subject-year observation, the dependent variable consists of zeros until the year in which a restaurant exits, when it becomes one.

4.1.3 | Independent variable of interest

The primary independent variable of interest is $Post\ Michelin_{it}$. This variable indicates whether restaurant i had received a Michelin star at time t. Thus, it is equal to one if restaurant i at time t has been awarded a Michelin star in any year prior to (and including) year t and zero otherwise. Among the 276 restaurants in this baseline sample, 92 are awarded a Michelin star (33%).[8]

4.1.4 | Control variables

The control variables cover a wide range of potential influences on restaurant survival and consider restaurant characteristics and local conditions that may impact survival. Controls include a restaurant's year of opening, the lead restaurateur's gender, if a restaurant is part of a larger

[8]This highlights the Michelin Guide's conservative orientation, preferring errors of omission to having their evaluation methods questioned. Michelin Guide editors have similarly commented: "You may disagree with our choice of stars, but no one can question our methods" (Ferguson, 2008, p. 53). This exclusivity may lead two very similar restaurants to find themselves on different sides of the ambiguous Michelin star threshold for idiosyncratic reasons. This randomness aspect emerged in one interview with a restaurateur who had been awarded a Michelin star; she commented: "I trust them [the Michelin reviews] to a certain degree, but you have to see them with a grain of salt because they are personal. Food is subjective."

restaurant group, a restaurant's critic rating and price point as provided in their New York Times review, a restaurant's cuisine genre (14 cuisine-type classifications), a restaurant's location in New York City at the ZIP code level (43 ZIP codes), and the density of these restaurants located within a restaurant's ZIP code in a given year. See Supporting Information Appendix 4 for an expanded discussion of these control variables.

4.1.5 | Method

The overarching empirical goal here is to estimate the effect of a Michelin star on time to restaurant exits, and my primary methodological approach is event history analysis using parametric proportional hazards model regression (see Allison, 2014; Cleves et al., 2016). The use of parametric proportional hazards models requires the specification of a functional form for subject transition rates—that is, when restaurants exit. While similar estimates are observed for the variable of interest across regressions using the exponential, Weibull, and Gompertz specifications (see Supporting Information Appendix 5), the simplest exponential form is used for analyses presented in the main text, which follows Kalnins and Mayer's (2004, p. 1720) approach to model specification for this type of empirical investigation (see also Baum & Ingram, 1998; Baum & Mezias, 1992; Kalnins, 2016). Regression results from semiparametric Cox proportional hazards models are also included in the subsequent tables for robustness.[9]

The parametric exponential proportional hazards model assumes that the baseline hazard is constant, and it can be defined by the following specification: $r_i(t) = exp(\beta_0 + X_i(T)\beta)$, $T < t < T + 1$, where $r_i(t)$ is the instantaneous rate of failure, X_t is a vector of covariate values at time T, and β is a vector of coefficients. This exponential specification assumes that a subject's instantaneous transition from active to exit at time t does not depend on t, but instead only on the vector of covariates. To account for the fact that covariates can change over time, I use a standard multiple-spells formulation. This means that each subject's lifespan is broken down into 1-year spells for years in which they are active and at risk of exit, and therefore each yearly spell is an observation that is right-censored unless the restaurant exits in that year. STATA version 17 is used to obtain maximum likelihood estimates of the effect of covariates.

4.2 | Results

An overview of the underlying data indicates an ostensible disparity in the overall exits of Michelin-starred restaurants compared to non-Michelin-starred restaurants. Within the set of 276 restaurants, there are 77 observed exits. Among Michelin-starred restaurants, 42 of these 92 subjects exit during the study window, and the rest are right-censored. For non-Michelin starred restaurants, 35 of the 184 subjects exit within the study window, and the remaining 149 are right-censored. Within the subset of exiting restaurants, mean years-active exit for Michelin-starred restaurants is 8.05, whereas mean years-active at exit for non-Michelin-starred restaurants is 9.2.

[9]Cox proportional hazards models (Cox, 1972) are often used in related literature because they do not require specifying a functional form (see Katila & Shane, 2005; Winter et al., 2012). See also the modeling considerations overview in Supporting Information Appendix 6.

The first set of regression results are presented in Table 2. Models 2 through 7 introduce control variables one-by-one, where Model 7 will include all control variables and Model 1 includes only the independent variable of interest, *Post Michelin*, and the vector of controls for restaurants' opening year cohorts. Model 8 is the semiparametric Cox proportional hazards model estimates with the full set of control variables. The results presented in Table 2 show positive, economically significant, *Post Michelin* coefficients that range between 1.308 (Model 3: $p < .001$; *95% CI*: [0.884, 1.732]) and 1.564 (Model 7: $p < .001$; *95% CI*: [0.924, 2.204]). This effect appears stable across model specifications, and the 95% confidence intervals on all models in Table 2 are largely overlapping. These results indicate that being awarded a Michelin star corresponds to an increase in the likelihood of restaurant exit and are consistent with the theoretical framework and qualitative material.

4.2.1 | Matched sample analyses

The prior analyses are reconducted using matched samples to address possible concerns that observable differences between the set of Michelin-starred restaurants and the counterfactual could be biasing estimates of restaurant exits. While this technique omits data (i.e., subjects are excluded from analyses), it helps ensure a stronger counterfactual by matching observations that are most similar based on observable covariates (Angrist & Pischke, 2008; Gelman, 2009; Stuart, 2010).[10] Following this logic, I construct two datasets for additional analyses using propensity score matching (e.g., Pearl, 2010). The first matched sample is created from the 276 restaurants used in the primary analyses, and it uses the full set of control variables to develop a profile for each restaurant that is awarded a Michelin star to identify the characteristically nearest non-Michelin-starred restaurant (one-to-one matched without replacement).[11] This matched sample dataset contains 1936 subject-year observations of 184 subjects (92 Michelin-starred) with 62 observed exits. The second approach, an enhanced matched sample, further conditions on a restaurant only ever being a recipient at the one Michelin star level. This restriction helps to address concerns that there may be something fundamentally different about the behavior of restaurants that obtain higher star levels, either through selection or post-treatment behavior, that could affect the soundness of the counterfactual.[12] The criteria modification, thus, excludes some subjects from the initial pool of treated restaurants that may be considered for one-to-one matching and yields 1475 observations of 140 subjects (70 Michelin-starred) with 48 exits in the enhanced matched sample.

[10]Stuart (2010, p. 2) notes that the use of matched samples is "complementary and best used in conjunction" with a review of a full sample. Angrist and Pischke (2008, p. 63) advocate for starting with traditional regression analyses prior to implementing matching procedures. This work follows such a design.

[11]See again Supporting Information Appendix 2, which provides an overview of the research design and dataset construction. Appendix 7 presents additional summary statistics for these datasets. Appendix 8 contains additional comparison for cuisine and location distributions.

[12]Following matching, there persist some covariate differences between the treatment and control groups. Mean New York Times star ratings of Michelin-starred restaurants, for example, are greater than non-Michelin-starred restaurants. While the matched samples and the inclusion of corresponding control variables seek to hold constant remaining differences, it is still possible that observable and unobservable differences may bias estimates. Other approaches that seek to help address these elements include various within-ratings subsample analyses and a New York Times star rating balanced matching; these analyses provide results that are largely consistent with those presented in the main text (see Supporting Information Appendix 9).

TABLE 2 Analyses of restaurant exits.

Parametric (exponential) and Cox proportional hazards model estimation of restaurant exits								
	1	2	3	4	5	6	7	8
	Parametric (exponential)							Semiparametric Cox
	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)
Post Michelin	1.330	1.313	1.308	1.487	1.537	1.505	1.564	1.526
	(0.215)	(0.217)	(0.216)	(0.229)	(0.239)	(0.258)	(0.327)	(0.391)
Female		0.307	0.300	0.290	0.292	0.207	0.283	0.451
		(0.278)	(0.275)	(0.280)	(0.283)	(0.290)	(0.339)	(0.419)
Restaurant group			−0.107	0.018	0.066	0.068	0.184	0.279
			(0.233)	(0.244)	(0.255)	(0.299)	(0.319)	(0.400)
NYT stars ★★				−0.076	−0.078	−0.120	−0.319	−0.239
				(0.260)	(0.266)	(0.271)	(0.322)	(0.383)
NYT stars ★★★				−0.545	−0.484	−0.559	−0.627	−0.519
				(0.349)	(0.365)	(0.346)	(0.377)	(0.478)
NYT cost $$					−0.640	−0.532	−0.299	−0.365
					(1.060)	(1.170)	(0.960)	(1.187)
NYT cost $$$					−0.489	−0.380	−0.241	−0.193
					(1.044)	(1.121)	(0.927)	(1.150)
NYT cost $$$$					−0.772	−0.522	−0.395	−0.359
					(1.059)	(1.147)	(0.948)	(1.170)
ZIP code density							0.004	0.003
							(0.001)	(0.002)
Cuisine genre controls	NONE	NONE	NONE	NONE	NONE	INCLUDED	INCLUDED	INCLUDED
ZIP code controls	NONE	NONE	NONE	NONE	NONE	NONE	INCLUDED	INCLUDED

Note: Results are coefficients from parametric (exponential) and Cox proportional hazards model estimation of restaurant exits. Positive coefficients indicate higher probability of exit. Coefficients can be exponentiated to obtain hazard ratios. All models include opening year cohort fixed effects. Robust standard errors are clustered at subject (restaurant) level and appear in parentheses below coefficients. Analysis of 2989 observations; 276 subjects; 77 exits.

The results reported in Table 3 appear to corroborate the findings from the primary analyses. Model 1, for example, which is the parametric regression inclusive of all controls, shows a positive coefficient on *Post Michelin* (β = 1.295; $p < .001$; *95% CI*: [0.659, 1.932]) using the matched sample, which overlaps with the corresponding *Post Michelin* estimates using the full sample (Table 2, Model 7: *95% CI*: [0.924, 2.204]). The results from the enhanced matched sample are also consistent with prior analyses. The parametric regression estimates for *Post Michelin* in Model 2 indicate a 95% confidence interval of [0.477, 1.823] (β = 1.150; p = .001). While matching does not completely resolve issues of observable differences or the potential for unobservable differences between groups, these results nevertheless help provide additional consistent evidence suggesting that Michelin stars are associated with an increased likelihood of restaurant exits.[13]

4.3 | Supplementary analyses

I next turn to a series of supplementary analyses that can help paint a more complete picture of Michelin stars' effects on focal firms' value networks. The theoretical framework and qualitative material indicated that reactivity across the value network created challenges for Michelin-starred restaurants that affected their ability to capture value. The following subsections, therefore, extend from the prior analyses to help substantiate this line of reasoning, bring in new data to contextualize the primary quantitative findings, and provide additional robustness.

4.3.1 | Search intensity for Michelin restaurants

As the theoretical framework and qualitative material indicate, one should expect that changes in attention correlate with changes in expectations as Michelin stars direct interested consumers to the star-recipient restaurants. I can investigate this more directly by bringing in source-localized measures of Google internet search intensity for these restaurants.[14] The temporal granularity of these internet search data allows for a more fine-grained assessment of changes in attention, and the panel dataset is therefore recalibrated to the month-year period of observation between January 2004 and December 2019.[15] The two dependent variables in these analyses are log-transformed measures of normalized internet search intensity for restaurant i in month t and are distinguished based on whether the search originated from (1) anywhere within the United States or (2) just within New York State. These datasets contain

[13]A variety of additional analyses serve as robustness checks and enhance confidence in the primary finding that Michelin stars correspond to a greater probability of restaurant exits. These include analyses that use a narrower opening cohort window (see Supporting Information Appendix 10) and geographically constraining analyses to Manhattan only (see Appendix 11). Likewise, conceptually similar results are obtained when using alternative time invariant model specifications (see Appendix 12).

[14]Restaurants for which Google search history data was unavailable were necessarily dropped from these analyses. This includes 25 subjects for searches originating in the United States and 32 for searches originating in New York State.

[15]These search data only become available starting in 2004. While this left censors subjects that opened prior to 2004, there are still both pre- and post-treatment period observations for all subjects. Likewise, by including opening cohort fixed effects, the regressions still hold constant the fact that observations for these subjects begin at $t > y_1$. Note also that subsample robustness checks that omit all left-censored subjects provide consistent estimates (see Supporting Information Appendix 13).

TABLE 3 Analyses of restaurant exits, matched samples.

Parametric (exponential) and Cox proportional hazards model estimation of restaurant exits, matched samples				
	1	2	3	4
	Parametric (exponential)		Semiparametric Cox	
	Matched sample	Enhanced matched sample	Matched sample	Enhanced matched sample
	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)
Post Michelin	1.295	1.150	1.202	1.406
	(0.325)	(0.343)	(0.398)	(0.358)
Female	0.173	0.097	0.301	0.064
	(0.340)	(0.385)	(0.408)	(0.386)
Restaurant group	0.148	−0.391	0.156	−1.214
	(0.442)	(0.604)	(0.612)	(0.746)
NYT stars ★★	−0.121	−0.167	−0.009	0.031
	(0.330)	(0.446)	(0.407)	(0.443)
NYT stars ★★★	−0.582	−0.341	−0.434	−0.446
	(0.407)	(0.703)	(0.544)	(0.709)
NYT cost $$	0.808	−0.247	0.850	−0.555
	(0.446)	(0.551)	(0.616)	(0.620)
NYT cost $$$	0.542	−0.659	0.612	−0.367
	(0.358)	(0.464)	(0.551)	(0.469)
ZIP code density	0.004	0.005	0.002	0.002
	(0.001)	(0.002)	(0.002)	(0.001)
Cuisine genre controls	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Location controls	ZIP CODE	ZIP CODE	ZIP CODE	NEIGHBORHOOD

Note: Results are coefficients from parametric (exponential) and Cox proportional hazards model estimation of restaurant exits. Positive coefficients indicate higher probability of exit. Coefficients can be exponentiated to obtain hazard ratios. All models include opening year cohort fixed effects. Neighborhood location controls are included in Model 4 (Cox) due to computational issues with ZIP code level effects. Robust standard errors are clustered at subject (restaurant) level and appear in parentheses below coefficients. Models 1 and 3: Analysis of 1936 observations; 184 subjects; 62 exits. Models 2 and 4: Analysis of 1475 observations; 140 subjects; 48 exits.

(1) 30,551 month-year observations of 251 restaurants and (2) 29,209 month-year internet search observations of 244 restaurants, respectively.

Presented in Table 4, results from ordinary least squares (OLS) regressions display positive coefficients for the variable of interest, *Post Michelin* (see Supporting Information Appendix 14 for expanded tables), which indicate that Michelin stars led to greater attention for these recipient restaurants. This coefficient from Model 1 can be interpreted to mean that receiving a Michelin star results in a 35% increase in internet search intensity across the United States ($\beta = .297$; $p < .001$; *95% CI*: [0.156, 0.437]). These results reinforce the earlier qualitative findings that Michelin stars directed attention to starred restaurants, and this may correspond to

restaurateurs' description of the changing composition of consumers and heightened expectations. In this vein, one interviewee reflected on their experience of changing attention following a Michelin star, noting that: "All of a sudden, we went from being not a busy restaurant to being in everybody's eye and being overly scrutinized."

4.3.2 | Employee and chef activities

Building from the primary quantitative analyses and insights from the qualitative material, I now incorporate additional data to investigate the relationship between employees and Michelin stars. First, at the firm level, this includes information about the total count of employees who have ever been listed as employed at a given restaurant throughout its lifetime using the Chef and Restaurant Database.[16] There are two dependent variables derived from these data: (1) a count of total employees at restaurant *i*; (2) a count of total employees at restaurant *i* normalized by the restaurant's total years in operation. Second, at the subject-year level, data were obtained from media coverage of these restaurants primarily from the New York Times' "On the Move" and GrubStreet's "Chef Scramble" subsections. This allows me to create a binary dependent variable that is equal to one if there is a chef departure at restaurant *i* in year *t* and zero otherwise.

The results of these analyses of employee activities appear in Table 5. Using Poisson regression, Model 1 and 2, respectively, provide an analysis of employee counts and normalized employee counts. Models 3 through 6 are analyses of chef departures, and they apply the parametric (exponential) and semiparametric Cox modeling approach used in the prior analyses,[17] except now the dependent variable is the departure of a chef at restaurant *i* in year *t*. Models 7 and 8 examine chef departures using OLS estimation with a standard difference-in-differences set up that includes either random (Model 7) or fixed effects (Models 8) to control for unobserved heterogeneity (Greene, 2000). The results in Table 5 seemingly point in the same direction—namely that Michelin stars may be associated with greater instability of employees. For example, the *Michelin Restaurant* coefficient in Model 1 can be interpreted to mean that Michelin-starred restaurants have a 0.474 difference in the log of employees associated with the restaurant over their lifetimes ($p < .001$; *95% CI*: [0.316, 0.633]). Converting the output to incidence rate ratios indicates that Michelin-starred restaurants have more employees associated with their restaurants by a factor of 1.61. Analyses further suggest that Michelin stars correspond to a greater probability of chef departures. Converting coefficients to hazard ratios from Model 4 shows that the retaliative hazard of chef departures is 84% greater following a restaurant's receipt of a Michelin star ($\beta = .608$; $p = .037$; *95% CI*: [0.038, 1.177]).

These results appear consistent with the qualitative evidence suggesting that Michelin stars increased instability in restaurants' relationships with their employees. Examples from the setting further illuminate this point: The restaurant Corton, which opened in 2008, received two stars in four consecutive appearances in the Michelin Guide (2010–2013). Despite the seemingly successful run of Corton, it abruptly shuttered in 2013 when the chef, Paul Liebrandt, decided

[16]Not all restaurants are covered in The Chef and Restaurant Database. Data were obtained for 226 restaurants from the baseline dataset, with 14 Michelin-starred and 36 non-Michelin-starred restaurants missing. Statistical tests do not indicate a difference in the distribution of coverage of these subjects as it correlates to Michelin stars.

[17]Consistent results are obtained when using parametric models with Weibull and Gompertz specifications (see Supporting Information Appendix 15), but again only results from the exponential model are reported in the main text for brevity.

TABLE 4 Analyses of restaurant attention.

Ordinary least squares estimation of restaurant internet search intensity				
	1	2	3	4
	Internet searches originating from		Internet searches originating from	
	The United States of America		New York State	
	Random effects	Fixed effects	Random effects	Fixed effects
	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)
Post Michelin	0.297	0.297	0.199	0.202
	(0.072)	(0.072)	(0.061)	(0.062)
Michelin restaurant	−0.087		0.005	
	(0.073)		(0.063)	

Note: Results are coefficients from ordinary least squares estimation. Robust standard errors are clustered at subject level and appear in parentheses below coefficients. All models include month-year of operation and opening year cohort fixed effects, Models 1 and 3 include all control variables, Models 2 and 4 includes ZIP code density controls. Models 1 and 2: Analysis of 30,551 observations; 251 subjects. Models 3 and 4: Analysis of 29,209 observations; 244 subjects.

to depart and start his own competitor restaurant, The Elm. Owner-manager Drew Nieporent went on to say that: "At the end of the day, we just couldn't make it work financially. [...] Your partner cannot be your competitor" (Gordinier, 2013).[18]

5 | DISCUSSION AND CONCLUSION

This article examines the Michelin Guide's entry into New York City, and the results indicate that restaurants were more likely to exit after having received a Michelin star. Evidence provided by an abductive mixed-method investigation suggests that the increased likelihood of a Michelin-starred restaurant ceasing operations was a second-order consequence of reactivity across their value network. That is, evaluated restaurants, their competitors, and their exchange partners all responded to Michelin's evaluations, which created new challenges for the star recipients. At restaurants' upstream interface, the availability of outside opportunities and the enhanced bargaining positions of employees, landlords, and other suppliers appears to have made it more difficult for Michelin-starred restaurants to capture value. Downstream exchange partner reactivity, too, appears to have led to new challenges for restaurants. Changing customer expectations, especially as new customers entered the market, may have driven up costs when restauranteurs responded with certain types of operational changes.

So, despite the widespread acclaim that came with restaurants receiving a Michelin star, the evidence ultimately suggests that reactivity across the entire value network engendered new challenges that increased the likelihood of their exit. Thus, while favorable third-party evaluations are often a source of celebration for recognized entities, this work adds to a body of recent scholarship underscoring how third parties play complex roles in shaping markets and may

[18]Other cases in which competition emerges from the movement of chefs appear commonly in these data. A review of archival material indicates that nearly one-third of the chefs observed departing a focal restaurant in the dataset did so to start their own New York City restaurant or to work at another established New York City restaurant.

TABLE 5 Analyses of employee activities.

Poisson, parametric (exponential) and Cox proportional hazards model, and ordinary least squares estimation of employee activities								
	1 Poisson	2	3 Parametric (exponential)	4	5 Semiparametric Cox	6	7 Ordinary least squares	8
	DV: Lifetime associated employees	DV: Lifetime associated employees DV normalized by years active	DV: Chef departures	DV: Chef departures	DV: Chef departures	DV: Chef departures	DV: Chef departures Random effects	DV: Chef departures Fixed effects
	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)	Coef/(SE)
Post Michelin			1.000	0.608	0.968	0.491	0.037	0.030
			(0.219)	(0.291)	(0.214)	(0.288)	(0.015)	(0.016)
Michelin restaurant	0.474	0.591					−0.010	
	(0.081)	(0.254)					(0.014)	

Note: Results are coefficients from Poisson, parametric (exponential) and semiparametric Cox proportional hazards model, and ordinary least squares estimation. Standard errors appear in parentheses below coefficients; robust standard errors are clustered at subject level in Models 3–8. All models include opening year cohort fixed effects; Models 1 and 2 include subject-level controls; Models 4, 6, and 7 include all control variables; Model 8 includes ZIP code density controls. Models 1 and 2: Analysis of 226 subjects. Models 3–6: Analysis of 2592 observations; 276 subjects; 84 departures. Models 7 and 8: Analysis of 2989 observations; 276 subjects; 104 departures.

produce significant unintended consequences (e.g., Favaron et al., 2022; Gergaud et al., 2015; Lewis & Carlos, 2022; Luca & Zervas, 2016; Ody-Brasier & Sharkey, 2019; Wang et al., 2016). Accordingly, this article helps offer new insights for related research on third party engendered status dynamics and integration within VBV approaches.

5.1 | Contributions to research on third parties and status dynamics

Organizations that win prestigious awards, are highly rated, or sit atop venerated rankings may generally be assumed to be better off than they would otherwise be due to their enhanced status positions; however, this assumption discounts the fact that even favorable evaluations can create new types of challenges for focal firms as actors across the value network respond to an evaluation (e.g., Lewis & Carlos, 2022). By recognizing third-party evaluations as double-edged, this article helps highlight how even favorably evaluated entities may find themselves more frequently experiencing adverse outcomes. Investigating the mechanisms driving performance heterogeneity from third-party evaluations will be a key to progress for work in this space. Building further from recent research on both the positive (e.g., Kim & King, 2014; Roberts et al., 2011; Rossman et al., 2010; Sharkey, 2014; Simcoe & Waguespack, 2011) and negative consequences of status (e.g., Favaron et al., 2022; Hahl et al., 2017; Jensen & Kim, 2015; Kovács & Sharkey, 2014; Moore et al., 2019), future work exploring heterogeneity in outcomes can advance our understanding about when and why favorable evaluations benefit or harm focal firms.

This article builds from key prior findings related to the Michelin Guide's entry at various locations. Most notably, Favaron et al. (2022), who show that Washington DC restaurants responded to Michelin's entry by modifying their self-presentation to highlight value, authenticity, and descriptive attributes through menu refinements that were intended to align with the perceived fit of the Michelin Guide, and Gergaud et al. (2015), who indicate Michelin's influence in encouraging New York City restaurants to engage in nonfood investments. Moreover, Gergaud et al. also indicate that corresponding price increases only enhanced covered restaurants' chances of survival if their perceived food quality also increased. While these works more generally focus on the internal activities of restaurants who were included more broadly in the Michelin Guide, rather than value network reactivity with respect to the long-term survival of Michelin-starred restaurants, they nicely fit together with this article to foster a deeper understanding about how third parties impact the beliefs and behaviors of market actors. Indeed, our articles jointly underscore that the reactions of evaluated actors, realized and unrealized exchange partners, competitors, and other stakeholders are crucial for understanding the complexity in how consequences of evaluations manifest in markets. The managerial implications of this are perhaps most salient with respect to mitigating value chain disruptions, possibly through the better alignment of actor incentives to ensure stability, and there is also an opportunity for future work to explore various business activities of actors that receive status bumps (in the case of restaurants: cookbooks, pre-packaged foods, etc.), but are distinct from their evaluated business (e.g., Surlemont et al., 2005). In addition to vertical and horizontal diversification, prior research about third-party evaluations and career trajectories (e.g., Groysberg et al., 2008; Negro et al., 2022; Reschke et al., 2018) and labor market mobility (e.g., Galperin et al., 2020; Roberts et al., 2011) offers a strong foundation for such an investigation.

It is plausible that there is significant within-industry variance in outcomes, and scholarship that investigates potential bifurcations in outcomes both within and across empirical settings

will help extend this article by providing a richer understanding of the role of context in explaining behavior. In this particular context, the psychological pressure of maintaining a Michelin star can make restaurateurs particularly susceptible to individual-level anxieties (see also Street, 2020), which may spill over to the operation of the business. It also is likely that specific managerial choices moderate the effects of favorable or unfavorable evaluations, which would be consistent with and contribute to related research that has documented the importance of managerial experience (e.g., Bloom et al., 2013; Wade et al., 2006). Work that can leverage data about more granular operational decisions and nuanced responses of value network actors will better speak to issues related to the effects of status dynamics and third-party evaluation.

5.2 | Contributions to research on third parties and value-based strategy

A core contribution of this work is its extension of the VBV perspective, which provides a theoretical framework that considers reactivity to third-party evaluations across the value network. In doing so, this article widens the lens of value-based strategy to build from and contribute to the long-standing body of work in management and adjacent fields that has addressed the effects of various types of third-party evaluations. Likewise, this framework highlights how social and psychological factors can be fruitfully integrated with VBV to provide a nuanced understanding of how value is distributed (e.g., Cattani et al., 2017, 2018). Better understanding the particularities of value network reactivity against the backdrop of various evaluation instruments is likely a worthwhile line of inquiry (see also Gallus & Frey, 2016). Experimental work that can overcome potential selection issues by artificially manipulating evaluations could be used to tease apart very nuanced reactions to third parties. A potential limitation of this article, therefore, is its focus on a narrow set of performance outcomes—namely firm exits. To the extent that researchers can gain access to detailed financial information and reports, which are often private (see Greenberg et al., 2024; Luca, 2016), there are unique opportunities to leverage this work to better understand strategic behavior and decision-making.

Although there has been particular emphasis on highlighting and explaining the ostensibly high rates of Michelin-starred restaurant exits, it is important to stress that not all effects of Michelin stars are negative. The evidence here very much suggests that Michelin stars are double-edged. For example, while one interviewee underscored how Michelin stars created opportunities for her employees to leave, she also balanced this in describing how the recognition enhanced her reputation as an excellent trainer of young chefs (see also Tan & Rider, 2017). Noting still that this turnover was difficult and costly for her business, she highlighted that this was how she had gained her start: "And I think, you know, I benefited from that as well. You know, having [Michelin-starred restaurants] under my belt helped my career as well." This points to the important role of chefs in organizing value creation and capture in this setting (see also Di Stefano et al., 2014, 2017; Lane, 2014; Rao et al., 2003, 2005), and it highlights an opportunity for leveraging VBV in disentangling third parties' effects on competition across contexts (e.g., Chatain, 2011).

Increases in willingness-to-pay and the expanded pool of interested customers may imply the possibility of greater pricing power for firms in some industries. This, however, needs to be recognized against a backdrop of other work that has indicated that restaurants do not appear to take advantage of such opportunities for a variety of reasons (e.g., Becker, 1991; MacDonald &

Aaronson, 2006). Especially then, at the downstream interface, it may be fruitful for future work to estimate the relative welfare benefits across different markets from third-party evaluations due to upstream reactivity. Consumer surplus, for example, may increase as these evaluations signal what is in demand and, therefore, attention may drive an expansion of supply in that space (e.g., Sohn et al., 2024). Indeed, a market rich with new entrants and competition can produce innovative and creative offerings that add value for consumers, as well as to upstream actors looking into new possibilities (see also Leschziner, 2015; Opazo, 2016; Tan, 2020).

ACKNOWLEDGMENTS

This work has benefited from a variety of sources over many years, including from the editor and anonymous reviewers who provided thoughtful guidance during the review process, as well as from numerous conference and seminar participants who contributed to the development of this article. The author is particularly grateful to his dissertation committee, Gino Cattani, Adam Brandenburger, Paul DiMaggio, Joseph Porac, and Robert Seamans, for their support throughout this project's development.

DATA AVAILABILITY STATEMENT

Data from this study are available on request from the author.

ORCID

Daniel B. Sands https://orcid.org/0000-0001-8439-5983

REFERENCES

Allison, P. D. (2014). *Event history and survival analysis: Regression for longitudinal event data*. SAGE Publications.

Anderson, M., & Magruder, J. (2012). Learning from the crowd: Regression discontinuity estimates of the effects of an online review database. *The Economic Journal*, *122*(563), 957–989.

Angrist, J. D., & Pischke, J. S. (2008). *Mostly harmless econometrics: An empiricist's companion*. Princeton University Press.

Azoulay, P., Stuart, T., & Wang, Y. (2014). Matthew: Effect or fable? *Management Science*, *60*(1), 92–109.

Bamberger, P. A. (2019). On the replicability of abductive research in management and organizations: Internal replication and its alternatives. *Academy of Management Discoveries*, *5*(2), 103–108.

Barnhizer, D. D. (2005). Inequality of bargaining power. *University of Colorado Law Review*, *76*, 139–240.

Baum, J. A., & Ingram, P. (1998). Survival-enhancing learning in the Manhattan hotel industry, 1898–1980. *Management Science*, *44*(7), 996–1016.

Baum, J. A., & Mezias, S. J. (1992). Localized competition and organizational failure in the Manhattan hotel industry, 1898-1990. *Administrative Science Quarterly*, *37*, 580–604.

Becker, G. (1991). A note on restaurant pricing and other examples of social influences on price. *Journal of Political Economy*, *99*(5), 1109–1116.

Behfar, K., & Okhuysen, G. A. (2018). Perspective—Discovery within validation logic: Deliberately surfacing, complementing, and substituting abductive reasoning in hypothetico-deductive inquiry. *Organization Science*, *29*(2), 323–340.

Benjamin, B. A., & Podolny, J. M. (1999). Status, quality, and social order in the California wine industry. *Administrative Science Quarterly*, *44*(3), 563–589.

Bermiss, Y. S., Zajac, E. J., & King, B. G. (2014). Under construction: How commensuration and management fashion affect corporate reputation rankings. *Organization Science*, *25*(2), 591–608.

Biglaiser, G. (1993). Middlemen as experts. *The Rand Journal of Economics*, *24*, 212–223.

Blank, G. (2006). *Critics, ratings, and society: The sociology of reviews*. Rowman & Littlefield.

Bloom, N., Eifert, B., Mahajan, A., McKenzie, D., & Roberts, J. (2013). Does management matter? Evidence from India. *The Quarterly Journal of Economics*, *128*(1), 1–51.

Bothner, M. S., Kim, Y. K., & Smith, E. B. (2012). How does status affect performance? Status as an asset vs. status as a liability in the PGA and NASCAR. *Organization Science*, *23*(2), 416–433.

Bowers, A., & Prato, M. (2018). The structural origins of unearned status: How arbitrary changes in categories affect status position and market impact. *Administrative Science Quarterly*, *63*(3), 668–699.

Bowers, A., & Prato, M. (2019). The role of third-party rankings in status dynamics: How does the stability of rankings induce status changes? *Organization Science*, *30*(6), 1146–1164.

Brandenburger, A. M., & Stuart, H. W. (1996). Value-based business strategy. *Journal of Economics & Management Strategy*, *5*, 5–24.

Carlos, W. C., & Lewis, B. W. (2018). Strategic silence: Withholding certification status as a hypocrisy avoidance tactic. *Administrative Science Quarterly*, *63*(1), 130–169.

Cattani, G., Porac, J. F., & Thomas, H. (2017). Categories and competition. *Strategic Management Journal*, *38*(1), 64–92.

Cattani, G., Sands, D., Porac, J., & Greenberg, J. (2018). Competitive sensemaking in value creation and capture. *Strategy Science*, *3*(4), 632–657.

Chae, H., Song, J., & Lange, D. (2021). Basking in reflected glory: Reverse status transfer from foreign to home markets. *Strategic Management Journal*, *42*(4), 802–832.

Chatain, O. (2011). Value creation, competition, and performance in buyer-supplier relationships. *Strategic Management Journal*, *32*(1), 76–102.

Chatain, O., & Mindruta, D. (2017). Estimating value creation from revealed preferences: Application to value-based strategies. *Strategic Management Journal*, *38*(10), 1964–1985.

Chatain, O., & Plaksenkova, E. (2019). NGOs and the creation of value in supply chains. *Strategic Management Journal*, *40*(4), 604–630.

Chatterji, A. K., & Toffel, M. W. (2010). How firms respond to being rated. *Strategic Management Journal*, *31*(9), 917–945.

Chen, Y., Liu, Y., & Zhang, J. (2012). When do third-party product reviews affect firm value and what can firms do? The case of media critics and professional movie reviews. *Journal of Marketing*, *76*(2), 116–134.

Cleves, M., Gould, W. W., & Marchenko, Y. U. (2016). *An introduction to survival analysis using Stata*. Stata Press.

Cohen, J. B., & Golden, E. (1972). Informational social influence and product evaluation. *Journal of Applied Psychology*, *56*(1), 54–59.

Colapinto, M. (2009). Lunch with M. The New Yorker. Retrieved from https://web.archive.org/web/20210418225935/https://www.newyorker.com/magazine/2009/11/23/lunch-with-m

Cox, D. R. (1972). Regression models and life-tables. *Journal of the Royal Statistical Society: Series B (Methodological)*, *34*(2), 187–202.

Darnall, N., & Sides, S. (2008). Assessing the performance of voluntary environmental programs: Does certification matter? *Policy Studies Journal*, *36*(1), 95–117.

Davis, M. (2009). A taste for New York: Restaurant reviews, food discourse, and the field of gastronomy in America. New York University Dissertation.

Di Stefano, G., King, A. A., & Verona, G. (2014). Kitchen confidential? Norms for the use of transferred knowledge in gourmet cuisine. *Strategic Management Journal*, *35*(11), 1645–1670.

Di Stefano, G., King, A. A., & Verona, G. (2017). Too many cooks spoil the broth? Geographic concentration, social norms, and knowledge transfer. *Advances in Strategic Management*, *36*, 267–308.

Dineen, B. R., & Allen, D. G. (2016). Third party employment branding: Human capital inflows and outflows following "best places to work" certifications. *Academy of Management Journal*, *59*(1), 90–112.

Durand, R., Grant, R. M., & Madsen, T. L. (2017). The expanding domain of strategic management research and the quest for integration. *Strategic Management Journal*, *38*(1), 4–16.

Durand, R., Rao, H., & Monin, P. (2007). Code and conduct in French cuisine: Impact of code changes on external evaluations. *Strategic Management Journal*, *28*(5), 455–472.

Eberhart, R. N., & Armanios, D. E. (2022). Certification relics: Entrepreneurship amidst discontinued certifications. *Organization Science*, *33*(2), 746–765.

Eliashberg, J., & Shugan, S. M. (1997). Film critics: Influencers or predictors? *Journal of Marketing*, *61*(2), 68–78.

Elsbach, K. D., & Kramer, R. M. (1996). Members' responses to organizational identity threats: Encountering and countering the business week rankings. *Administrative Science Quarterly*, *41*, 442–476.

Espeland, W. N., & Sauder, M. (2007). Rankings and reactivity: How public measures recreate social worlds. *American Journal of Sociology*, *113*(1), 1–40.

Esposito, E., & Stark, D. (2019). What's observed in a rating? Rankings as orientation in the face of uncertainty. *Theory, Culture & Society*, *36*(4), 3–26.

Fabricant, F. (2005). The Tire Man Eats New York. *The New York Times, CLIV*, F1, F6. Retrieved from https://web.archive.org/web/20200304003446/https://www.nytimes.com/2005/02/23/dining/the-tire-man-eats-new-york.html

Favaron, S. D., Di Stefano, G., & Durand, R. (2022). Michelin is coming to town: Organizational responses to status shocks. *Management Science*, *68*(9), 6925–6949.

Ferguson, P. P. (2008). Michelin in America. *Gastronomica*, *8*(1), 49–55.

Fine, G. A. (1996). Justifying work: Occupational rhetorics as resources in restaurant kitchens. *Administrative Science Quarterly*, *41*(1), 90–115.

Gallus, J., & Frey, B. S. (2016). Awards: A strategic management perspective. *Strategic Management Journal*, *37*(8), 1699–1714.

Galperin, R. V., Hahl, O., Sterling, A. D., & Guo, J. (2020). Too good to hire? Capability and inferences about commitment in labor markets. *Administrative Science Quarterly*, *65*(2), 275–313.

Gans, J., & Ryall, M. D. (2017). Value capture theory: A strategic management review. *Strategic Management Journal*, *38*(1), 17–41.

Gelman, A. (2009). A statistician's perspective on "mostly harmless econometrics: An empiricist's companion" by Joshua D. Angrist and Jörn-Steffen Pischke. *The Stata Journal: Promoting Communications on Statistics and Stata*, *9*(2), 315–320.

George, G., Dahlander, L., Graffin, S. D., & Sim, S. (2016). Reputation and status: Expanding the role of social evaluations in management research. *Academy of Management Journal*, *59*(1), 1–13.

Gergaud, O., Storchmann, K., & Verardi, V. (2015). Expert opinion and product quality: Evidence from new York City restaurants. *Economic Inquiry*, *53*(2), 812–835.

Goldfarb, B., Zavyalova, A., & Pillai, S. (2018). Did victories in certification contests affect the survival of organizations in the American automobile industry during 1895–1912? A replication study. *Strategic Management Journal*, *39*(8), 2335–2361.

Gordinier, J. (2013). Paul Liebrandt is leaving Corton. *The New York Times* Retrieved from https://web.archive.org/web/20220320095057/https://www.nytimes.com/2013/07/28/dining/paul-liebrandt-is-leaving-corton.html

Graffin, S. D., & Ward, A. J. (2010). Certifications and reputation: Determining the standard of desirability amidst uncertainty. *Organization Science*, *21*(2), 331–346.

Greenberg, J., Sands, D. B., Cattani, G., & Porac, J. (2024). Rating systems and increased heterogeneity in firm performance: Evidence from the New York City restaurant industry, 1994–2013. *Strategic Management Journal*, *45*(1), 36–65.

Greene, W. H. (2000). *Econometric analysis*. Macmillan.

Grennan, M. (2014). Bargaining ability and competitive advantage: Empirical evidence from medical devices. *Management Science*, *60*(12), 3011–3025.

Groysberg, B., Healy, P. M., & Maber, D. A. (2011). What drives sell-side analyst compensation at high-status investment banks? *Journal of Accounting Research*, *49*(4), 969–1000.

Groysberg, B., Lee, L. E., & Nanda, A. (2008). Can they take it with them? The portability of star knowledge workers' performance. *Management Science*, *54*(7), 1213–1230.

Hahl, O., & Zuckerman, E. W. (2014). The denigration of heroes? How the status attainment process shapes attributions of considerateness and authenticity. *American Journal of Sociology*, *120*(2), 504–554.

Hahl, O., Zuckerman, E. W., & Kim, M. (2017). Why elites love authentic lowbrow culture: Overcoming high-status denigration with outsider art. *American Sociological Review*, *82*(4), 828–856.

Harp, S. L. (2001). *Marketing Michelin: Advertising and cultural identity in twentieth-century France*. JHU Press.

Heighton-Ginns, L. (2018). The business behind Michelin stars. BBC. Retrieved from https://web.archive.org/web/20220914084748/https://www.bbc.com/news/business-45733941

Hoopes, D. G., Madsen, T. L., & Walker, G. (2003). Guest editors' introduction to the special issue: Why is there a resource-based view? Toward a theory of competitive heterogeneity. *Strategic Management Journal*, *24*(10), 889–902.

Huang, L., & Pearce, J. L. (2015). Managing the unknowable: The effectiveness of early-stage investor gut feel in entrepreneurial investment decisions. *Administrative Science Quarterly*, *60*(4), 634–670.

Jensen, M., Kim, B. K., & Kim, H. (2011). The importance of status in markets: A market identity perspective. In J. L. Pearce (Ed.), *Status in management and organizations* (pp. 87–117). Cambridge University Press.

Jensen, M., & Kim, H. (2015). The real Oscar curse: The negative consequences of positive status shifts. *Organization Science*, *26*(1), 1–21.

Josefy, M. A., Harrison, J. S., Sirmon, D. G., & Carnes, C. (2017). Living and dying: Synthesizing the literature on firm survival and failure across stages of development. *Academy of Management Annals*, *11*(2), 770–799.

Kalnins, A. (2016). Beyond Manhattan: Localized competition and organizational failure in urban hotel markets throughout the United States, 2000–2014. *Strategic Management Journal*, *37*(11), 2235–2253.

Kalnins, A., & Mayer, K. J. (2004). Franchising, ownership, and experience: A study of pizza restaurant survival. *Management Science*, *50*(12), 1716–1728.

Kashner, S. (2015). Why some of the world's most famous chefs don't want a Michelin star. Vanity Fair. Retrieved from https://web.archive.org/web/20220126114818/www.vanityfair.com/culture/2015/09/top-chefs-michelin-stars

Katila, R., & Shane, S. (2005). When does lack of resources make new firms innovative? *Academy of Management Journal*, *48*(5), 814–829.

Kilgannon, C. (2018). Fulfilling the demand for New Year's Eve caviar, truffle, and crab. *The New York Times, CLXVIII*, A19. Retrieved from https://web.archive.org/web/20221125122057/https://www.nytimes.com/2018/12/29/nyregion/new-years-eve-truffles.html

Kim, J. W., & King, B. G. (2014). Seeing stars: Matthew effects and status bias in major league baseball umpiring. *Management Science*, *60*(11), 2619–2644.

King, A., Goldfarb, B., & Simcoe, T. (2021). Learning from testimony on quantitative research in management. *Academy of Management Review*, *46*(3), 465–488.

Kludt, A. (2009). Michelin 2010 guide unleashed. *Eater*. Retrieved from https://web.archive.org/web/20230325172212/https://ny.eater.com/2009/10/5/6757865/michelin-2010-guide-unleashed-new-stars-for-daniel-corton

Kovács, B., & Sharkey, A. J. (2014). The paradox of publicity: How awards can negatively affect the evaluation of quality. *Administrative Science Quarterly*, *59*(1), 1–33.

Krishnan, R., Cook, K. S., Kozhikode, R. K., & Schilke, O. (2021). An interaction ritual theory of social resource exchange: Evidence from a Silicon Valley accelerator. *Administrative Science Quarterly*, *66*(3), 659–710.

Lanahan, L., & Armanios, D. (2018). Does more certification always benefit a venture? *Organization Science*, *29*(5), 931–947.

Lane, C. (2013). Taste makers in the "fine-dining" restaurant industry: The attribution of aesthetic and economic value by gastronomic guides. *Poetics*, *41*(4), 342–365.

Lane, C. (2014). *The cultivation of taste: Chefs and the organization of fine dining*. Oxford University Press.

Leiblein, M. J. (2011). What do resource- and capability-based theories propose? *Journal of Management*, *37*(4), 909–932.

Leschziner, V. (2015). *At the chef's table: Culinary creativity in elite restaurants*. Stanford University Press.

Lewis, B. W., & Carlos, W. C. (2022). Avoiding the appearance of virtue: Reactivity to corporate social responsibility ratings in an era of shareholder primacy. *Administrative Science Quarterly*, *67*(4), 1093–1135.

Lewis, B. W., & Carlos, W. C. (2023). The risk of being ranked: Investor response to marginal inclusion on the 100 best corporate citizens list. *Strategic Management Journal*, *44*(1), 117–140.

Luca, M. (2016). Reviews, reputation, and revenue: The case of Yelp.com. Harvard Business School NOM Unit Working Paper, (12-016).

Luca, M., & Zervas, G. (2016). Fake it till you make it: Reputation, competition, and Yelp review fraud. *Management Science*, *62*(12), 3412–3427.

MacDonald, J. M., & Aaronson, D. (2006). How firms construct price changes: Evidence from restaurant responses to increased minimum wages. *American Journal of Agricultural Economics*, *88*(2), 292–307.

Merton, R. K. (1968). The Matthew effect in science: The reward and communication systems of science are considered. *Science*, *159*(3810), 56–63.

Meyer, D. (2014). There goes the neighborhood cafe. *The New York Times, CLXIII*, A23. Retrieved from https://web.archive.org/web/20220320222932/https://www.nytimes.com/2014/07/03/opinion/danny-meyers-union-square-cafe-is-a-casualty-of-rising-rents.html

Michelin. (2016). 5 myths about the Michelin guide debunked. Michelin Guide Digital. Retrieved from https://guide.michelin.com/hk/en/article/features/5-myths-about-the-michelin-guide-debunked

Michelin. (2019). The Michelin star rating system. Michelin Guide Digital. Retrieved from https://web.archive.org/web/20190709134804/https://guide.michelin.com/th/en/to-the-stars-and-beyond-th

Moore, C. B., Payne, G. T., Filatotchev, I., & Zajac, E. J. (2019). The cost of status: When social and economic interests collide. *Organization Science*, *30*(5), 869–884.

Negro, G., Kovács, B., & Carroll, G. R. (2022). What's next? Artists' music after Grammy awards. *American Sociological Review*, *87*(4), 644–674.

Nelson, P. (1970). Information and consumer behavior. *Journal of Political Economy*, *78*(2), 311–329.

Ocasio, W. (1997). Towards an attention-based view of the firm. *Strategic Management Journal*, *18*, 187–206.

Ody-Brasier, A., & Sharkey, A. (2019). Under pressure: Reputation, ratings, and inaccurate self-reporting in the nursing home industry. *Strategic Management Journal*, *40*(10), 1517–1544.

Opazo, P. M. (2016). *Appetite for innovation: Creativity and change at elBulli*. Columbia University Press.

Pearl, J. (2010). The foundations of causal inference. *Sociological Methodology*, *40*(1), 75–149.

Piazza, A., & Castellucci, F. (2014). Status in organization and management theory. *Journal of Management*, *40*(1), 287–315.

Pita, A. (2015). *Why great chefs reject Michelin stars.* Public Radio International. Retrieved from https://web.archive.org/web/20210724234303/https://www.pri.org/stories/2015-03-02/why-great-chefs-reject-michelin-stars

Podolny, J. M. (1993). A status-based model of market competition. *American Journal of Sociology*, *98*(4), 829–872.

Podolny, J. M. (1994). Market uncertainty and the social character of economic exchange. *Administrative Science Quarterly*, *39*, 458–483.

Pollock, T. G., Lashley, K., Rindova, V. P., & Han, J. H. (2019). Which of these things are not like the others? Comparing the rational, emotional, and moral aspects of reputation, status, celebrity, and stigma. *Academy of Management Annals*, *13*(2), 444–478.

Porac, J. F., Thomas, H., & Baden-Fuller, C. (1989). Competitive groups as cognitive communities: The case of Scottish knitwear manufacturers. *Journal of Management Studies*, *26*(4), 397–416.

Rao, H. (1994). The social construction of reputation: Certification contests, legitimation, and the survival of organizations in the American automobile industry: 1895–1912. *Strategic Management Journal*, *15*, 29–44.

Rao, H., Monin, P., & Durand, R. (2003). Institutional change in Toque Ville: Nouvelle cuisine as an identity movement in French gastronomy. *American Journal of Sociology*, *108*(4), 795–843.

Rao, H., Monin, P., & Durand, R. (2005). Border crossing: Bricolage and the erosion of categorical boundaries in French gastronomy. *American Sociological Review*, *70*(6), 968–991.

Ravasi, D., Rindova, V., & Dalpiaz, E. (2012). The cultural side of value creation. *Strategic Organization*, *10*(3), 231–239.

Reinstein, D. A., & Snyder, C. M. (2005). The influence of expert reviews on consumer demand for experience goods: A case study of movie critics. *The Journal of Industrial Economics*, *53*(1), 27–51.

Reschke, B. P., Azoulay, P., & Stuart, T. E. (2018). Status spillovers: The effect of status-conferring prizes on the allocation of attention. *Administrative Science Quarterly*, *63*(4), 819–847.

Roberts, P. W., Khaire, M., & Rider, C. I. (2011). Isolating the symbolic implications of employee mobility: Price increases after hiring winemakers from prominent wineries. *American Economic Review*, *101*(3), 147–151.

Rossman, G., Esparza, N., & Bonacich, P. (2010). I'd like to thank the academy, team spillovers, and network centrality. *American Sociological Review*, *75*(1), 31–51.

Rowley, T. J., Shipilov, A. V., & Greve, H. R. (2017). Board reform versus profits: The impact of ratings on the adoption of governance practices. *Strategic Management Journal*, *38*(4), 815–833.

Sætre, A. S., & Van de Ven, A. (2021). Generating theory by abduction. *Academy of Management Review*, *46*(4), 684–701.

Sands, D. B. (2021). Does stylistic similarity to popular competitors affect consumer evaluations of quality? Evidence from online movie evaluations. *Advances in Strategic Management*, *42*, 199–226.

Sands, D. B. (2022). Seeing value through the eyes of others: Perceptions of value and rebidding in online auctions. *Research in the Sociology of Organizations*, *77*, 229–250.

Sands, D. B., Cattani, G., Porac, J., & Greenberg, J. (2021). Competition as sensemaking. In S. Arora-Jonsson, N. Brunsson, R. Hasse, & K. Lagerstrom (Eds.), *Competition: What it is and why it happens* (pp. 26–47). Oxford University Press.

Sauder, M. (2006). Third parties and status position: How the characteristics of status systems matter. *Theory and Society*, *35*, 299–321.

Sauder, M. (2008). Interlopers and field change: The entry of US news into the field of legal education. *Administrative Science Quarterly*, *53*(2), 209–234.

Sauder, M., & Espeland, W. N. (2009). The discipline of rankings: Tight coupling and organizational change. *American Sociological Review*, *74*(1), 63–82.

Sharkey, A. J. (2014). Categories and organizational status: The role of industry status in the response to organizational deviance. *American Journal of Sociology*, *119*(5), 1380–1433.

Sharkey, A. J. (2018). The dark side of status. *Journal of Management Inquiry*, *27*(4), 368–370.

Sharkey, A. J., & Bromley, P. (2015). Can ratings have indirect effects? Evidence from the organizational response to peers' environmental ratings. *American Sociological Review*, *80*(1), 63–91.

Shepherd, D. A., McMullen, J. S., & Ocasio, W. (2017). Is that an opportunity? An attention model of top managers' opportunity beliefs for strategic action. *Strategic Management Journal*, *38*(3), 626–644.

Shrum, W. (1991). Critics and publics: Cultural mediation in highbrow and popular performing arts. *American Journal of Sociology*, *97*(2), 347–375.

Simcoe, T. S., & Waguespack, D. M. (2011). Status, quality, and attention: What's in a (missing) name? *Management Science*, *57*(2), 274–290.

Sine, W. D., David, R. J., & Mitsuhashi, H. (2007). From plan to plant: Effects of certification on operational start-up in the emergent independent power sector. *Organization Science*, *18*(4), 578–594.

Slavich, B., & Castellucci, F. (2016). Wishing upon a star: How apprentice-master similarity, status and career stage affect critics' evaluations of former apprentices in the haute cuisine industry. *Organization Studies*, *37*(6), 823–843.

Sohn, E., Seamans, R., & Sands, D. B. (2024). Technology adoption and innovation: The establishment of airmail and aviation innovation in the United States, 1918–1935. *Strategic Management Journal*, *45*(1), 3–35.

Steele, L. (2005). Countdown to Michelin's New York City arrival. Eater. Retrieved from https://web.archive.org/web/20230130090445/https://ny.eater.com/2005/11/1/6824941/countdown-to-michelins-new-york-city-arrival

Street, F. C. (2020). Why Michelin chefs are handing back their stars. CNN. Retrieved from https://web.archive.org/web/20230307163313/https://edition.cnn.com/travel/article/why-michelin-chefs-return-stars/index.html

Strong, A. (2016). Why are so many great NYC restaurants closing? It's not just the rent. Food Republic. Retrieved from https://web.archive.org/web/20170223030912/https://medium.com/@foodrepublic/why-are-so-many-great-nyc-restaurants-closing-its-not-just-the-rent-e7ea34b4591

Stuart, E. A. (2010). Matching methods for causal inference: A review and a look forward. *Statistical Science*, *25*(1), 1–29.

Surlemont, B., Chantrain, D., Nlemvo, F., & Johnson, C. (2005). Revenue models in haute cuisine: An exploratory analysis. *International Journal of Contemporary Hospitality Management*, *17*(4), 286–301.

Sytsma, A. (2012). Michelin stars 2013 announced: The NoMad, Blanca, Torrisi, and Atera are all there. Grubstreet. Retrieved from https://web.archive.org/web/20221209122631/https://www.grubstreet.com/2012/10/michelin-2013-results-starred-restaurants-new-york.html

Tan, D., & Rider, C. I. (2017). Let them go? How losing employees to competitors can enhance firm status. *Strategic Management Journal*, *38*(9), 1848–1874.

Tan, V. (2020). *The uncertainty mindset: Innovation insights from the frontiers of food*. Columbia University Press.

Wade, J. B., Porac, J. F., Pollock, T. G., & Graffin, S. D. (2006). The burden of celebrity: The impact of CEO certification contests on CEO pay and performance. *Academy of Management Journal*, *49*(4), 643–660.

Wang, T., Wezel, F. C., & Forgues, B. (2016). Protecting market identity: When and how do organizations respond to consumers' devaluations? *Academy of Management Journal*, *59*(1), 135–162.

Webster, N. R. (2011). Professors live longer than doctors: Immortality bias in survival analysis. *British Journal of Anaesthesia*, *106*(2), 161–163.
Weick, K. E. (1995). *Sensemaking in organizations*. Sage.
Wezel, F. C., Cattani, G., & Pennings, J. M. (2006). Competitive implications of interfirm mobility. *Organization Science*, *17*(6), 691–709.
White, H. C. (1992). *Identity and control: A structural theory of social action*. Princeton University Press.
White, H. C. (2002). *Markets from networks: Socioeconomic models of production*. Princeton University Press.
Winter, S. G., Szulanski, G., Ringov, D., & Jensen, R. J. (2012). Reproducing knowledge: Inaccurate replication and failure in franchise organizations. *Organization Science*, *23*(3), 672–685.
Zuckerman, E. W. (1999). The categorical imperative: Securities analysts and the illegitimacy discount. *American Journal of Sociology*, *104*(5), 1398–1438.

SUPPORTING INFORMATION

Additional supporting information can be found online in the Supporting Information section at the end of this article.

How to cite this article: Sands, D. B. (2025). Double-edged stars: Michelin stars, reactivity, and restaurant exits in New York City. *Strategic Management Journal*, *46*(1), 148–176. https://doi.org/10.1002/smj.3651