

“WE DO WHAT WE MUST, AND CALL IT BY THE BEST NAMES”: CAN DELIBERATE NAMES OFFSET THE CONSEQUENCES OF ORGANIZATIONAL ATYPICALITY?

EDWARD B. SMITH^{1*} and HEEWON CHAE²

¹ Management and Organizations Department, Kellogg School of Management, Northwestern University, Evanston, Illinois, U.S.A.

² Strategy Department, Ross School of Business, University of Michigan, Ann Arbor, Michigan, U.S.A.

Research summary: This article focuses on organizational naming as a strategic choice organizations make to overcome liabilities of atypicality. We argue that, in markets presenting an “illegitimacy discount,” atypical organizations may use deliberate names—names that communicate the market categories to which organizations claim membership—to offset the consequences of atypicality. Using data from the global hedge fund industry, we show that atypical hedge funds are more likely than typical funds to have deliberate names. Importantly, the selection of a deliberate name is economically significant. First, funds with deliberate names grow faster than funds without deliberate names, especially among atypical funds. Second, while atypicality heightened the likelihood of failure during the recent financial crisis—even after controlling for fund performance—having a deliberate name mitigated this effect.

Managerial summary: Differentiation is a core element of many organizations’ competitive advantage. Nevertheless, as differentiation implies being atypical among one’s competitors, differentiation strategies can also lead to an “illegitimacy discount” whereby differentiators are at risk of being misunderstood, miscategorized, and ignored by consumers. Here we investigate how atypical hedge funds—funds that differentiate themselves from their competitors by investing in notably unique ways—use names to offset the potential consequences associated with the “illegitimacy discount.” Our analysis of more than 12,000 hedge funds over 12 years highlighted a trend whereby atypical hedge funds were more likely to choose names that unambiguously associated them with a known investment strategy—for instance, choosing the name “Apex Global Macro Capital” over simply “Apex Capital.” Importantly, name selection proved to be economically significant. For example, among atypical hedge funds, those with unambiguous names grew faster than those without. Furthermore, while being atypical increased the level of disinvestment during the recent financial crisis, having an unambiguous name reversed this effect. Organizational names play an important communication role with consumers, which, while highly symbolic, may also help resolve the dual organizational need to both conform to consumer expectations and differentiate from market competitors. Copyright © 2015 John Wiley & Sons, Ltd.

Keywords: atypicality; naming; categories; hedge funds; symbolic management

*Correspondence to: Edward B. Smith, Kellogg School of Management, Northwestern University, 2001 Sheridan Rd, #358, Evanston IL, 60208, U.S.A. E-mail: ned-smith@kellogg.northwestern.edu

INTRODUCTION

How can organizations differentiate themselves to maximize their competitive advantage while not falling subject to the perils of illegitimacy? While several prior studies have addressed this question in

one form or another (e.g., Deephouse, 1999; Navis and Glynn, 2011; Zuckerman, 1999), here we focus on how organizations use verbal accounts and naming practices in particular to balance the pressure to conform to market norms with the need to differentiate. Drawing from market categorization and symbolic management perspectives, we argue that managers of atypical organizations may *prepare* for legitimacy threats by choosing organizational names that signal conformity to existing market categories. We find evidence of this behavior in an analysis of the global hedge fund industry. Specifically, we show that atypical hedge funds, compared to comparable but more typical funds, are more likely to include in their fund name the investment style moniker of the market category to which they claim membership. In a second set of analyses, we assess the economic significance of this symbolic behavior; *ceteris paribus*, having a deliberate name increases the growth rate of atypical funds, generally, and significantly reduces the odds that atypical funds faced liquidation during the recent financial crisis, specifically.

Like reputation (Fombrun and Shanley, 1990; Pfarrer, Pollock, and Rindova, 2010; Rao, 1994) and status (Benjamin and Podolny, 1999) we propose that organizational names are important market signals. Specifically, we argue that names invoke category labels that shape consumer, or audience, expectations (Pontikes and Hannan, 2014). Unlike reputation and status, however, which are only scantily under an organization's control, name selection is entirely within an organization's jurisdiction (e.g., Cooper, Gulen, and Rau, 2005). Given this level of control, it is surprising that so few studies have directly examined the selection and economic significance of organizational names (for notable exceptions, see Kuilman and Wezel, 2013; Zhao, Ishihara, and Lounsbury, 2013). The present paper aims to help fill this void. By choosing names that signal category membership, atypical organizations may affect the processes by which audiences evaluate them and the outcome of those evaluations.

We additionally liken our approach to recent research on symbolic management showing that organizations sometimes adopt "externally visible policies and structures [that] appear to conform to prevailing normative prescriptions..." (Westphal and Graebner, 2010: 15). While existing research has identified several reasons why organizations may decouple the symbolic from the substantive,

including notably the political interests of powerful actors, economic interests appear to drive such behavior in the empirical context with which we are interested (Dowling and Pfeffer, 1975; Elsbach, 2003; Westphal and Graebner, 2010). Despite evident financial performance benefits of differentiation strategies, over the period of our analysis, hedge funds were subject to many of the same audience-born pressures to conform as organizations in more traditional industries (Smith, 2011, 2014). Accordingly, we focus on naming strategies as a symbolic means adopted by hedge funds to satisfy expectations for conformity while pursuing economic incentives to differentiate.

ORGANIZATIONAL NAMING

Organizational names are important because they provide an initial signal about an organization to relevant organizational audiences (Chuang and Baum, 2003; Ingram, 1996; Kuilman and Wezel, 2013). In competitive and highly technical industries in particular, where information gathering poses a costly endeavor for organizational audiences, organizational names represent a low-cost way, from the vantage points of both the organization as well as its audience, to affect audiences' perceptions (Simcoe and Waguespack, 2011). Consider the following illustrative examples. When Hewlett Packard introduced its first commercially viable product in 1939, the audio oscillator, the company called it "Model 200A." Why "200" and not the more obvious "100" or perhaps "1"? According to Packard, "We thought the name would make us look like we'd been around for a while" (Kaplan, 1999). The model name "200A" emerged, in other words, from Hewlett Packard's perceived need to look like something that it was not. Relatedly and more recently, Lee (2001) described how during the "internet economy" of the 1990s and early 2000s, many organizations facilitated selective comparison by appending the ".com" suffix to their names.

Among atypical organizations, specifically, we argue that deliberate names can function to reduce audience uncertainty and signal membership in a market category. Not unlike the phrase by Ralph Waldo Emerson that gives this paper its title—"We do what we must, and call it by the best names"—we suspect that, when organizations actively differentiate their features or product offerings from their competitors, they may also attempt

to hijack established, legitimate market labels for use in their organization's name. We define deliberate names to be those that explicitly include the moniker of the market category to which the organization claims membership in the organization's name itself. So whereas "Frank's", an automotive tire and battery repair shop on the west side of Chicago, would not be deemed as having a deliberate name, "Frank's Tire & Muffler Service" of Gilbert, Minnesota, would. Deliberate names signal category membership by evoking audiences' tendencies to rely on simplifying heuristics—at the expense of finer grained analysis—to assess organizations vis-à-vis the categorical structure of the market in which those organizations operate (Scott, 1987; Suchman, 1995; Zhao *et al.*, 2013). Names invoke category labels that, when imbued with legitimacy or "taken-for-grantendness," may acutely benefit those organizations that fail to conform to categorical norms and tendencies (Pontikes and Hannan, 2014).

While few in number, a handful of empirical studies have considered cases that are generally consistent with our argument. Glynn and Abzug (2002), for example, demonstrated that, when organizations change their names, they tend to do so in a way that conforms to the prototypical name styles in their industry. Adopting an ecological perspective, the authors argue that conformity to specific naming conventions within an industry positively affects the amount of public attention on the industry. Zhao *et al.* (2013) also suggest that strategic names imbued with known reputations enhance audience attention to genre-spanning firms despite the liabilities associated with category spanning. These examples capture the kernel of our first hypothesis, implying that even superficial conformity of "an organization's symbolic attributes to those of other organizations within its institutional field" (Glynn and Abzug, 2002: 267) can enhance organizational legitimacy. To that baseline we add emphasis on the effects of objective, organizational-level attributes as important determinants of the propensity to signal conformity; namely, atypical organizations will be more likely to engage in deliberate naming to signal their appropriateness and prepare for future legitimacy threats. Accordingly, we propose,

Hypothesis 1: Compared to typical organizations, atypical organizations are more likely to have deliberate names.

We further expect that uncertainty, manifested in higher search and information costs, will moderate the association between organizational atypicality and deliberate naming. Here we draw in part on prior research on organizational status showing that when quality is unknown or costly to evaluate, status may serve as an imperfect proxy for quality and aid audiences' decision-making and evaluation (e.g., Podolny, 1993; Stuart, Hoang, and Hybels, 1999). Like status, identity signals such as deliberate versus nondeliberate names should be more important when quality is ambiguous and information costs are high. This leads us to expect,

Hypothesis 2: The association between organizational atypicality and having a deliberate name will be greater where organizations' quality is more difficult to assess.

As we noted at the outset, a unique contribution of this paper is that we not only consider the choice of organizational names, but also analyze the effects and economic consequences of that choice over time. Specifically, we ask whether deliberate naming strategies enable atypical organizations to overcome the liabilities of atypicality. There are two primary pathways by which deliberate names may come to affect positively the economic circumstances of atypical organizations. First, if atypical organizations succeed in gaining some of the legitimacy associated with a known market category, they should enjoy at least some of the benefits commonly attributed to organizational legitimacy; namely, attention and access to capital (e.g., Cooper *et al.*, 2005). Thus,

Hypothesis 3: Ceteris Paribus, atypical organizations with deliberate names will grow faster than atypical organizations without deliberate names.

Second, if being associated with a taken-for-granted market category lowers the likelihood of organizational failure, atypical organizations that use deliberate names to signal membership in a known market category should experience lower failure rates than those who do not have deliberate names. Accordingly,

Hypothesis 4: Having a deliberate name will improve the survival chances of atypical organizations.

EMPIRICAL CONTEXT

We explore the association between organizational atypicality, deliberate naming, growth, and survival in the context of the global hedge fund industry. Hedge funds provide a useful context for analysis for four primary reasons. First, unlike industries where categories and the labels applied to them can be quite fluid (e.g., Granqvist, Grodal, and Woolley, 2013), hedge funds are obliged to identify with one of roughly one dozen well-established style categories at the time of market entry. Table S1 provides a detailed description of each of these styles. Importantly, because style categories present relatively unique risk/return profiles (Brown, Goetzmann, and Park, 2001; Smith, 2011), hedge fund investors typically consider style categories first in the course of making investment decisions. Furthermore, as hedge funds seldom change styles after launch—as changing styles can send a negative signal to both potential and current investors (Agarwal, Daniel, and Naik, 2011; Klebanov, 2008: 7)—style categories amount to an almost indelible identity claim (Gioia, Schultz, and Corley, 2000; White, 1981) that potential investors evaluate in the course of deciding whether to allocate capital to a given fund (Smith, 2011; Suchman, 1995).

Second, prior research on the hedge fund industry has shown that identifying with a given category but investing in ways that deviate from the majority of other funds in the same category can, under certain circumstances, negatively affect investment into a fund (Smith, 2011). The hedge fund industry, in other words, presents evidence of an “illegitimacy discount” comparable to what has been observed in other product and financial markets (e.g., Hsu, 2006; Zuckerman, 1999 see also Pontikes and Hannan, 2014). We corroborate this association in our data with respect to fund survival. Third, and unlike many traditional product markets where a firm’s performance is a direct function of evaluation by consumers (i.e., purchasing), the hedge fund context allows us to differentiate meaningfully fund performance—i.e., the financial returns realized by a fund—from investor evaluation—i.e., investment into and out of a fund.

Finally, the complexity of the hedge fund industry coupled with regulations against direct marketing to potential investors may function to elevate the importance of fund names. Should a hedge fund differentiate itself from its competitors by constructing a portfolio of assets and investing in ways that are different from other funds in the same style category, its avenues for creating a clear identity and mitigating the possible onset of the “illegitimacy discount” alluded to above are limited.¹ Lengthy narratives (e.g., Lounsbury and Glynn, 2001; Snow *et al.*, 1986) and marketing campaigns are not an option. To make their capital allocation decisions, investors instead rely on an imperfect collection of information drawn from hedge fund conferences (often convened by investment banks for their high-net-worth clientele), fund offering documents, commercial databases, and their own research. Fund names, being fully within the purview of a fund’s management team, offer a low-cost way to signal conformity to a style category, and thereby a measure of legitimacy associated with that category, to potential investors. This signaling capacity, we suspect, should be particularly attractive to atypical funds. By having a deliberate name, an atypical fund may be able to signal category membership by evoking investors’ tendencies to use simplifying heuristics to assess funds and differentiate between them.

DATA

Our data come from the Tremont Advisors Statistical Services (TASS) hedge fund database and include information on roughly 12,000 unique hedge funds in operation from 1994 to 2009. TASS includes monthly fund-level data on returns, assets under management, as well as comprehensive information on fund policies and characteristics. Policies include things such as fees and capital restrictions (i.e., lockup periods, redemption notice periods). Characteristics comprise information on a fund’s portfolio and strategy at both coarse (i.e., primary

¹ Several hedge fund managers made comments in line with the “illegitimacy discount” in the course of more than four-dozen interviews conducted by one of the authors for a separate, but related project. One lamented, for instance, on the difficulty of differentiating due to investors’ relatively limited information and knowledge: “We can’t really set out to create a product that’s the most efficient based on any of our reasoning. We are kind of constrained to build products that are going to sell.” Another noted rather simply, “They [investors] want to see stuff they recognize.”

Table 1. Number of funds, % having deliberate names, examples of deliberate and nondeliberate names, by style

Style	Funds	Percent having D. N.	Deliberate name, e.g.	Nondeliberate name, e.g.
Convertible arbitrage	205	61.95	Aviva Convertible Bond Arbitrage	Quattro Domestic
Dedicated short bias	31	38.71	Octagon Tactical Short	ParVest Partners
Emerging markets	706	36.83	Buchanan Emerging Markets	Komodo Fund
Equity market neutral	514	56.03	Gottex Market Neutral	Atlant Libra
Event driven	583	18.35	Argo Global Special Situations	Laurus Offshore Ltd
Fixed income arbitrage	307	40.72	EMF Fixed Income	RAB European Loan
Fund of funds	4384	26.51	Lyrical Multi-Manager Offshore LP	Optima Limited
Global macro	452	47.79	Friedberg Global Macro Hedge	Northern Spirit
Long short equity	2872	23.29	Falcon Point Long/Short	TechVantage Partners
Managed futures	620	35.97	NuWave Combined Futures	Rivoli International Fund
Multi-strategy	787	19.95	Concordia Global Multi-Strategy	Cashel Capital LP
Options strategy	21	33.33	Derivative Arbitrage	Yedid Advantage LP
Total	11,482	29.20		

style category) and finer grain (i.e., trading strategies, types of assets held, investment targets) levels.

Dependent variables

Our primary dependent variable is a binary indicator equal to 1 when a hedge fund is coded to have a deliberate name and 0 otherwise. Because all funds are forced to self-identify with only one primary style, we define deliberate names as those that include either the whole or part of a primary style moniker in the name of the fund itself. For example, if we consider two Global Macro style hedge funds, one named “Blackrock Global Macro Capital” and the other simply “Blackrock Capital,” only the former is coded as having a deliberate name. In some cases, we identified additional words not included in a style designation as reliably indicating a primary style category. For instance, the fund in Table 1 named “Argo Global Special Situations” does not include the style moniker “Event Driven” in its name, but is nevertheless coded as having a deliberate name due to the fact that “Special Situations” is a term unique to and largely synonymous with the “Event Driven” category. Table 1 includes several examples of hedge funds in the TASS database both with and without deliberate names. Roughly 30 percent of all funds included in the sample have deliberate names.

In two subsequent sets of analyses, we investigate the economic consequences of having a deliberate name. First, we model fund growth using fund size, measured as assets under management, as our dependent variable and lagged fund size as

an independent variable. Coefficient estimates on all additional covariates thus amount to predictors of change in fund size. By controlling for prior fund returns, we are able to capture the effects of naming and typicality, and the interaction between the two, on investor-driven, as opposed to returns-driven growth. Next, we analyze the likelihood of fund failure using the recent financial crisis as an empirical backdrop. The hedge fund industry experienced a significant contraction—approximately 25 percent by most estimates—during the financial crisis. By focusing our attention on 2008 and 2009, especially, we help to ensure that many of the liquidation events present in the data were the result of investor flight as opposed to manager choice or fund performance, which is also employed as a set of control variables. Accordingly, we begin our final set of analyses by highlighting a significant and positive relationship between fund atypicality and the likelihood of liquidation during 2008 and 2009. We then estimate whether having a deliberate name reduced this likelihood.

Fund atypicality

Our measurement of atypicality combines three things: a fund’s self-identified primary investment style, the average representation of all funds’ trading and asset focuses in the same style at a given time (33 in all; see Table S2), and the dissimilarity between that average and the unique trading and asset focuses of the focal fund. Typical hedge funds hold assets and employ trading strategies similar to the average or “centroid” fund (Litov, Moreton,

and Zenger, 2012) in the category to which they claim membership. Atypical funds deviate from that average. Mathematically, if funds are represented by 33-element vectors where elements correspond to each trading (18) and asset focus (15), then atypicality amounts to the vector dissimilarity between a given fund and the average of all funds in a given style at a given time.² In models assessing the likelihood of having a deliberate name, fund atypicality is assigned at market entry. If any relationship exists between a fund's degree of atypicality and its choice of a name, it should be most apparent at the point of market entry when a fund manager evaluates his own fund against existing funds in the market. In the secondary set of models assessing growth and liquidation, fund atypicality can change over time as the composition of funds around a focal fund changes.

Interactions and control variables

To assess Hypothesis 2—that the association between organizational atypicality and having a deliberate name will be greater where organizations' quality is more difficult to assess—we include two additional variables that capture (1) whether the fund's manager has personal capital invested in the fund and (2) whether the fund is domiciled onshore (52% of funds in the database) or offshore (48%). Investing personal capital into one's own fund serves as a signal of fund quality. By comparison, being nondomestically versus domestically located may make it more costly for current and potential investors to evaluate a given fund's quality. Accordingly, we expect the association between atypicality and deliberate naming will be greater in cases where a fund (1) does not receive significant amounts of self-investment and (2) is domiciled offshore.

We employ several control variables to help isolate the effects in which we are most interested. First, we control for fund size at entry (measured as the log of a fund's net asset value, NAV) and whether the fund is open-ended or continues to

accept capital from new investors over time. We also control for whether an individual fund is part of a larger fund family, as being part of a fund family may be associated with both fund atypicality and the likelihood of having a deliberate name. In addition to the indicator variable set to 1 if a fund is part of a family, 0 otherwise, we also include a logged count of the number of funds in a given fund's family and a logged count of the number of funds of the same primary style in a given fund's family. Finally, we include controls for the total number of funds in a given fund's style category at the time of entry and the ratio of the number of funds with a deliberate name in the category to the total number of funds in the category. These values are time varying and therefore not accounted for by style category fixed effects, which we also include in all models. Descriptive statistics for all variables are shown in Table 2.

ANALYTIC PROCEDURES

Naming

We test whether atypical funds are more likely to choose deliberate names using a series of logistic regressions. Because fund names do not change over time, we observe funds only at the time of their entry into the market. We add control variables iteratively to assess the robustness of the relationship between atypicality and naming. We include fixed effects for each primary style category in all models. Fixed effects are necessary to account for style-specific differences in the likelihood of having deliberate versus nondeliberate names. Table 1 shows the percentage of funds (pooled across all time periods) with deliberate names in each of the dozen primary style categories. We further adjust for temporal differences in the likelihood of funds choosing deliberate names associated with time by using yearly fixed effects (in models shown) and (in models not shown) by including year as a more parsimonious continuous-scale variable. Under both specifications (yearly dummies and continuous-scale), time proves to be unassociated with naming tendencies.

Growth and survival

In the second set of analyses on fund growth and survival, we use cross-sectional, time-series,

² Our measure is similar in concept and operationalization to Miller and Chen's (1996: 1210) measure of organizational non-conformity as deviation from "industry central tendencies or de facto norms," Hannan's (2010) formalizations of organizational "grades of membership," and Smith's (2011) vector-distance based measure of typicality. We use dice coefficients to calculate vector similarity for measuring fund typicality and multiply the value by negative one to convert it to the measure of atypicality for the ease of interpretation and consistency with our hypotheses.

Table 2. Descriptive statistics

Variables	Mean	S.D.	Min.	Max.
Liquidate	0.02	0.13	0	1
Atypicality	−0.30	0.14	−0.68	0
Deliberate name	0.28	0.45	0	1
Age, in quarters	15.09	14.03	1	132.00
Size, log(estimated assets)	17.13	1.99	−16.12	26.14
Part of a fund family [0, 1]	0.80	0.40	0	1
# of funds in family, log	1.54	1.21	0	5.45
# of same strategy funds in family, log	1.19	1.08	0	4.32
Personal capital [0, 1]	0.34	0.47	0	1
Open ended [0, 1]	0.61	0.49	0	1
Offshore [0, 1]	0.42	0.49	0	1
Lockup period, in days	3.12	6.66	0	90.00
Redemption period, in days	35.20	28.51	0	365.00
Rate of return	−0.38	11.05	−99.45	95.00
Volatility	3.24	3.74	0	65.84

and time-series logistic regression as well as Cox semi-parametric survival time analysis to analyze the economic impacts of having a deliberate name. We include all control variables from the first set of models and again include fixed effects for primary styles and time, measured in quarters. Additionally, we control for four consecutive, lagged quarters of fund returns and returns volatility, fund age measured in quarters since inception, lagged fund size measured as the natural log of a fund's total assets, and two variables—lockup and redemption notice periods—that capture a fund's policies regarding capital redemption. The latter is important because stricter terms of capital redemption may positively affect a fund's rate of growth and should decrease the likelihood of liquidation due to investor redemptions. In addition to these control variables, we include a fund's degree of atypicality and an indicator variable for whether a fund has a deliberate name.

RESULTS

Deliberate naming

Models in Table 3 support Hypothesis 1. The results in Model 1 suggest that a one-standard-deviation increase in atypicality increases the odds [$1.13 = \exp(0.14 \times 0.88)$, $p < 0.001$] of having a deliberate name by about 13 percent. Model 2 assesses the robustness of this association to the addition of several control variables. As expected, Model 2 indicates that being part of a fund family

significantly raises the likelihood that a fund will have a deliberate name. We also include a control for whether a fund is open-ended, as being open-ended may increase the likelihood that an atypical fund will want to identify itself in an unambiguous, deliberate way, regardless (or perhaps as a correlate of) their level of atypicality. Consistent with this expectation, being open-ended significantly raises the likelihood that a fund has a deliberate name.

In Model 2 we also consider the possibility that managers are more aware of their own intrinsic quality at the time of launch than our first model allows. Accordingly if the best managers feel little pressure to use deliberate names and are also more likely to launch typical funds, then the association between atypicality and having a deliberate name may in fact result from high-quality managers choosing *nondeliberate* names. To account for this alternative, we include in Model 2 two additional controls that capture a fund's quality in the form of its *future* performance: the average monthly return and average monthly volatility a fund realizes over the course of its life (see Bothner, Kang, and Stuart, 2007: 228, for a similar methodological approach of using a future performance outcome to control for unobservable quality in the present). According to the results in Model 2, neither future returns nor future volatility are associated with having a deliberate name. Inclusion of these additional controls as well as all the other controls in Model 2 does not impact the association between atypicality and naming.

Table 3. Logistic regression assessing likelihood of having a deliberate name

Variables	(1)	(2)	(3)	(4)
Atypicality	0.878*** (0.206)	0.695*** (0.211)	0.637*** (0.212)	0.493* (0.277)
Size		0.166*** (0.0601)	0.164*** (0.0601)	0.163*** (0.0601)
Size, squared		−0.0198*** (0.00543)	−0.0193*** (0.00543)	−0.0194*** (0.00543)
In family		0.218*** (0.0773)	0.208*** (0.0775)	0.215*** (0.0776)
# funds in family		0.253*** (0.0354)	0.249*** (0.0355)	0.244*** (0.0356)
# same strategy funds in family		−0.215*** (0.0397)	−0.217*** (0.0397)	−0.214*** (0.0398)
# funds in category		0.0149 (0.0806)	0.0124 (0.0806)	0.00886 (0.0806)
Future returns		−0.00539 (0.0180)	−0.00376 (0.0180)	−0.00433 (0.0180)
Future volatility		−1.97e-05 (0.00265)	−0.000205 (0.00264)	−0.000156 (0.00265)
Open ended		0.144*** (0.0458)	0.153*** (0.0466)	0.155*** (0.0466)
Personal capital			−0.150** (0.0610)	−0.381** (0.154)
Offshore			−0.00567 (0.0445)	0.152* (0.0867)
Atypicality × personal capital				−0.683 (0.422)
Atypicality × offshore				0.586** (0.282)
Constant	0.566*** (0.199)	−0.289 (0.538)	−0.218 (0.540)	−0.239 (0.542)
Fixed effects, style, and year	Yes	Yes	Yes	Yes
Observations	11,489	11,489	11,489	11,489

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$
Standard errors in parentheses.

Uncertainty

Models 3–4 in Table 3 assess Hypothesis 2—that the association between fund atypicality and having a deliberate name will be greater when fund quality is difficult to assess—by way of two interactions. Model 3 is the base model to which we add interactions. In Model 4, we test Hypothesis 2 using first an interaction between fund atypicality and the presence or absence of fund manager capital. We argued previously that manager self-investment serves as an indicator of quality. Accordingly, we expect the association between fund atypicality and deliberate naming to be greater among funds in which there is no manager investment. Model 4 offers directional evidence that is consistent with this hypothesis, though the significance of the interaction term coefficient does not allow us

to reject fully the null hypothesis. The interaction term indicates that the atypicality-naming association is reduced for funds with self-investment [$b(\text{Atypicality}) = 0.49 - 0.68 \times \text{PersonalCapital}$]. We also test Hypothesis 2 by investigating whether funds' geographic location—onshore or offshore—additionally moderates the relationship between atypicality and naming. If quality is more difficult to assess for offshore funds, atypical funds domiciled offshore should be more likely to have deliberate names. Results of Model 4 are consistent with this second variation of Hypothesis 2; the resulting coefficient on the atypicality variable is 1.08 [= $0.49 + 0.59$] among offshore funds versus 0.49 among onshore funds; that is, atypical funds domiciled offshore are more likely to have deliberate names than domestic, atypical funds. In fact, the relationship between atypicality and naming is

no longer statistically significant in the subsample of only domestic funds. We consider this finding in more detail below.

Growth

Models 5–6 in Table 4 use the entire panel to estimate the effects of atypicality and deliberate naming, and the interaction between the two, on funds' rates of growth. Together, Models 5–6 offer support for our third hypothesis. According to Model 5, atypical funds and funds without deliberate names experienced marginally slower growth rates than typical funds and funds with deliberate names, respectively, though both of these main effects fall short of statistical significance. Model 6, however, is more telling. Among funds without deliberate names, atypical funds did in fact grow more slowly, on average, compared to typical funds. This effect was mitigated, however, by having a deliberate name. For the sake of illustration, a fund at the 90th percentile of atypicality (i.e., an atypical score just more than one and a half standard deviations above the median level of atypicality) grew approximately nine times faster when it had a deliberate name versus when it did not.

Survival

Models 7–8 in Table 4 assess the effect of fund atypicality and of having a deliberate name on the likelihood of liquidation in 2008 and 2009. Given the results in Models 5–6, Models 7–8 are designed to (1) establish empirically the consequences of atypicality, in particular during a period of significant market uncertainty and turmoil, and (2) investigate how much (if at all) the use of a deliberate name mitigated those consequences. To test this, we first established a baseline association between atypicality and fund failure. *Ceteris paribus*, atypical organizations faced a higher likelihood of failure. In Model 7, a one-standard-deviation increase in a fund's level of atypicality increases the odds of failure [$1.17 = \exp(0.14 \times 1.15)$, $p < 0.01$] by approximately 17 percent. Model 7 also assesses the main effect of having a deliberate name on the likelihood of failure. Although there is a modest positive association in the model ($b = 0.02$, $z = 0.09$), this association is not robust. The interaction between fund atypicality and having a deliberate name (Model 8), however, strongly

supports our fourth hypothesis. The effect of atypicality on liquidation is rendered effectively null [$b(\text{Typicality}) = 1.96 - 2.46 \times \text{DeliberateName}$] among funds having a deliberate name. Whereas atypical funds with nondeliberate names faced an elevated risk of liquidation in 2008 and 2009, even after controlling for fund performance, similarly performing but deliberately named atypical funds did not.³

The final models (9 and 10) in Table 4 use a split sample design to offer an alternative view of the results in Model 8. Model 9 investigates the effect of atypicality on liquidation among funds with nondeliberate names only. Model 10 assesses this same likelihood among funds with deliberate names. Accordingly, Model 9 uses about two thirds of the sample and Model 10 uses the remaining one third. We include four-quarters of lagged performance measures—both returns and volatility—but omit them from the table. We again include fixed effects for primary style and quarterly dummies. With the exception of significance levels (which are partially attributable to sample size differences), fund- and family-level covariates do not result in any major differences across the two samples. The main difference between the two models emerges around the measure of fund atypicality. The positive association between atypicality and failure is only apparent among funds with nondeliberate names. A one-standard-deviation increase in atypicality increases the odds of liquidation [$0.75 = \exp(0.14 \times -2.06)$, $p < 0.001$] by 33 percent. We find no effect of atypicality on liquidation among funds that have deliberate names.

As a final test of the robustness of our statistical inferences, we replicated the above results in three additional ways: first, with a Cox semi-parametric

³ Due to the way atypicality is measured—i.e., as time varying and dependent on changes not to the fund itself but on the changing composition of same-style funds—the effect of atypicality on survival is possibly somewhat mechanical. Imagine a number of funds similar in their atypicality. As more and more of these funds fail, remaining atypical funds will appear even more atypical than before. Moreover, the failure events themselves may be correlated. We did two things to assess robustness in light of this possibility. First, we ran models fixing a fund's measure of atypicality at the point of inception. Second, we allowed for temporal variation but included a fixed effect for every fund. Results of these analyses indicated that in the hedge fund setting, atypicality measures do not vary greatly over time. Thus the effect is nearly identical to the first method. Furthermore, due to the lack of temporal variation over such a short period of time, between-fund estimators proved necessary. Details on these additional analyses are available from the authors.

Table 4. OLS and logistic regression assessing growth (Models 5–6) and likelihood of liquidation (Models 7–10)

Variables	(5) Total assets	(6) Total assets	(7) Liquidate	(8) Liquidate	(9) Liquidate	(10) Liquidate
Atypicality	−0.00858 (0.0127)	−0.0229* (0.0137)	1.153** (0.456)	1.959*** (0.507)	2.056*** (0.559)	−0.393 (0.841)
Deliberate name	0.00447 (0.00314)	0.0199*** (0.00717)	0.0210 (0.0861)	−0.521*** (0.160)		
Atypicality × deliberate name		0.0497** (0.0203)		−2.462*** (0.612)		
Age	−0.00349*** (0.000283)	−0.00348*** (0.000285)	−0.0522*** (0.00696)	−0.0520*** (0.00695)	−0.0573*** (0.00831)	−0.0449*** (0.0133)
Age squared	3.95e−05*** (4.30e−06)	3.94e−05*** (4.34e−06)	0.000596*** (8.54e−05)	0.000601*** (8.48e−05)	0.000635*** (9.79e−05)	0.000606*** (0.000184)
Total assets, t − 1	0.989*** (0.00112)	0.989*** (0.00112)	−0.182*** (0.0196)	−0.180*** (0.0195)	−0.176*** (0.0239)	−0.198*** (0.0311)
In family	−0.00511 (0.00376)	−0.00494 (0.00376)	−0.00111 (0.157)	−0.0426 (0.158)	0.116 (0.186)	−0.514* (0.305)
# funds in family	−0.00963*** (0.00269)	−0.00969*** (0.00269)	0.232*** (0.0693)	0.251*** (0.0700)	0.266*** (0.0846)	0.282 ** (0.133)
# same strategy funds in family	0.00616** (0.00279)	0.00614** (0.00279)	−0.199*** (0.0718)	−0.210*** (0.0723)	−0.264*** (0.0869)	−0.135 (0.138)
Personal capital	0.00774*** (0.00281)	0.00793*** (0.00281)	−0.516*** (0.126)	−0.538*** (0.126)	−0.749*** (0.163)	−0.0502 (0.204)
Open ended	−0.00659** (0.00281)	−0.00677** (0.00281)	0.0994 (0.0820)	0.114 (0.0829)	0.101 (0.101)	0.181 (0.147)
Offshore	0.000818 (0.00285)	0.000658 (0.00285)	0.306*** (0.0809)	0.305*** (0.0813)	0.202** (0.0999)	0.510*** (0.145)
Lockup period	0.000546*** (0.000161)	0.000547*** (0.000160)	−0.00946 (0.00783)	−0.00896 (0.00778)	−0.00727 (0.00819)	−0.0128 (0.0199)
Redemption notice period	0.000488*** (5.31e−05)	0.000489*** (5.30e−05)	−0.0130*** (0.00160)	−0.0132*** (0.00159)	−0.0145*** (0.00192)	−0.00894*** (0.00289)
Returns, t − 1	0.00392*** (0.000237)	0.00392*** (0.000237)	−0.0194*** (0.00437)	−0.0195*** (0.00436)	−0.0192*** (0.00542)	−0.0209*** (0.00777)
Returns, t − 2	0.00266*** (0.000225)	0.00266*** (0.000225)	−0.0165*** (0.00471)	−0.0163*** (0.00470)	−0.0175*** (0.00605)	−0.0171** (0.00741)
Returns, t − 3	0.00240*** (0.000186)	0.00240*** (0.000186)	−0.0105** (0.00499)	−0.0104** (0.00495)	−0.0131** (0.00616)	−0.00416 (0.00890)
Returns, t − 4	0.00129*** (0.000187)	0.00129*** (0.000187)	−0.0271*** (0.00569)	−0.0274*** (0.00572)	−0.0311*** (0.00738)	−0.0136 (0.0113)
Volatility, t − 1	−0.00160** (0.000695)	−0.00160** (0.000695)	−0.0248* (0.0137)	−0.0240* (0.0138)	−0.0425*** (0.0159)	0.0371 (0.0273)
Volatility, t − 2	−0.00187*** (0.000722)	−0.00187*** (0.000722)	0.0148 (0.0146)	0.0144 (0.0145)	0.00732 (0.0176)	0.0364 (0.0290)
Volatility, t − 3	−0.000835* (0.000483)	−0.000835* (0.000483)	−0.0225 (0.0185)	−0.0218 (0.0185)	−0.0103 (0.0214)	−0.0650* (0.0377)
Volatility, t − 4	−0.00113 (0.000693)	−0.00113 (0.000693)	−0.0574*** (0.0201)	−0.0549*** (0.0199)	−0.0584** (0.0246)	−0.0837** (0.0371)
Constant	0.202*** (0.0231)	0.198*** (0.0232)	−2.664*** (0.833)	−2.593*** (0.829)	−2.247** (0.957)	−14.31*** (0.763)
Fixed effects, style & quarter	Yes	Yes	Yes	Yes	Yes	Yes
Observations	109,903	109,903	21,531	21,531	15,590	5,941
Number of unique funds	8,220	8,220	4,831	4,831	3,475	1,356
R-squared	0.962	0.962				

*** $p < 0.01$; ** $p < 0.05$; * $p < 0.1$
 Robust standard errors in parentheses.

hazard rate model, second, by estimating the likelihood of liquidation in either 2008 or 2009 by treating those two years as a single cross section, and third, by returning to the important onshore/offshore distinction from our first set of models. These models are omitted in the interest of space, but are available from the authors. For the first test, the advantage of the Cox model is that it does not require a priori information on the time dependence of the survival process. Whereas the resulting hazard ratio in the equivalent of Model 9 was greater than one but nonsignificant ($p = 0.773$), the ratio in the equivalent of Model 10 was less than one and highly significant ($p < 0.001$), confirming the results in Table 4. For the second test, we reduced the data to a single observation for each fund and used as a dependent variable an indicator for whether a fund failed in either 2008 or 2009. Independent variables were the same as those in Model 9 but being observed only once, were fixed at their fourth-quarter, 2007 values. Because we observe funds only one time under this quasi-cross-sectional treatment, this approach provides an alternative way (vs. clustering observations) to account for the autocorrelation of errors that result from multiple fund observations in the models in Table 4. Results are substantively identical. The coefficient estimates on Atypicality, DeliberateName, and the interaction between the two are 1.92 ($p < 0.001$), -0.06 ($p = 0.785$), and -1.42 ($p < 0.05$), respectively. As before, this result indicates that deliberate names level the slope of the relationship between atypicality and the likelihood of liquidation.

Finally, we were interested in whether the findings regarding fund liquidations were unique to offshore funds, recalling that the association between fund atypicality and having a deliberate name was clustered primarily among funds domiciled offshore. We did this by reestimating Model 8 first on the subsample of offshore funds and then on the subsample of onshore funds. The results of these two additional models are highly comparable; the coefficient on the interaction term, in particular, is -2.05 ($p < 0.05$) for the sample including only offshore funds versus -2.71 ($p < 0.01$) for the sample including only domestic funds. This result indicates the following; while offshore funds were indeed more likely to choose deliberate names for seemingly strategic and symbolic reasons, all atypical funds, onshore and offshore alike, benefited from having a deliberate name during the financial crisis

by experiencing lower likelihoods of failure compared to nondeliberately named atypical funds.

CONCLUSION

In this paper we have explored the organizational need to create and manage a coherent categorical identity by analyzing the relationship between organizational atypicality and naming strategies. Among hedge funds, we reported evidence that hedge funds failing to conform to the common profile of funds in their self-identified style categories are more likely to choose names that unambiguously associate them with those categories. We also found that the relationship between atypicality and deliberate naming is greater among funds for which quality is more difficult to assess. Our results suggest that managers of atypical funds take steps to offset their atypicality vis-à-vis investors; by choosing names that invoke category labels, even symbolically, managers of atypical hedge funds materially affect the way investors come to understand and evaluate them. In a secondary set of analyses, we demonstrated a real economic impact of this strategic and symbolic behavior, first with respect to fund growth and then regarding failure.

In addition to combining insights from research on market categories and symbolic management, our analysis also carries implications regarding the generation and use of information for decision-making processes in financial and investment markets. As markets increase in their complexity, informationally constrained consumers and investors must make use of every available bit of information at their disposal (Cooper *et al.*, 2005). In some markets and at certain points in time, this may even involve utilizing information on organization's names, a highly symbolic and easy to manipulate market signal (cf., Cooper *et al.*, 2005; Sensoy, 2009). Beyond our empirical analysis, our results also bring together recent research in economic sociology on the discounting of organizational nonconformity with work on symbolic management and organizational identity work. Like people (e.g., Gioia *et al.*, 2000; Ibarra and Barbulescu, 2010; White, 1981) organizations make identity claims for many reasons: to reduce uncertainty, to gain legitimacy, for evolutionary adaptation, and so forth (Kane, Argote, and Levine, 2005). We add to this list a reason inherently more suspicious: the desire to appear like something

one is not. Organizational names represent an important kind of communication with audiences, which, while highly symbolic, may also serve as an effective resolution to the dual organizational need to both conform to market norms and differentiate from market competitors.

ACKNOWLEDGEMENTS

We have benefited from the advice of Matthew Bothner, Damon Phillips, Joseph Gerakos, Michael Hannan, John Levi Martin, Filipo Wezel, Ezra Zuckerman, Edward Laumann, and James Westphal.

REFERENCES

- Agarwal V, Daniel ND, Naik NY. 2011. Do hedge funds manage their reported returns? *Review of Financial Studies* **24**(10): 3281–3320.
- Benjamin BA, Podolny JM. 1999. Status, quality, and social order in the California wine industry. *Administrative Science Quarterly* **44**(3): 563–589.
- Bothner MS, Kang JH, Stuart TE. 2007. Competitive crowding and risk taking in a tournament: evidence from NASCAR racing. *Administrative Science Quarterly* **52**(2): 208–247.
- Brown SJ, Goetzmann WN, Park J. 2001. Careers and survival: competition and risk in the hedge fund and CTA industry. *Journal of Finance* **56**: 1869–1886.
- Chuang YT, Baum JA. 2003. It's all in the name: failure-induced learning by multiunit chains. *Administrative Science Quarterly* **48**(1): 33–59.
- Cooper MJ, Gulen H, Rau PR. 2005. Changing names with style: mutual fund name changes and their effects on fund flows. *Journal of Finance* **60**(6): 2825–2858.
- Deephouse DL. 1999. To be different, or to be the same? It's a question (and theory) of strategic balance. *Strategic Management Journal* **20**(2): 147–166.
- Dowling J, Pfeffer J. 1975. Organizational legitimacy: social values and organizational behavior. *Pacific Sociological Review* **18**(1): 122–136.
- Elsbach KD. 2003. Organizational perception management. *Research in Organizational Behavior* **25**: 297–332.
- Fombrun CJ, Shanley M. 1990. What's in a name? Reputation building and corporate strategy. *Academy of Management Journal* **33**(2): 233–258.
- Gioia DA, Schultz M, Corley KG. 2000. Organizational identity, image, and adaptive instability. *Academy of Management Review* **25**(1): 63–81.
- Glynn MA, Abzug R. 2002. Institutionalizing identity: symbolic isomorphism and organizational names. *Academy of Management Journal* **45**(1): 267–280.
- Granqvist N, Grodal S, Woolley JL. 2013. Hedging your bets: explaining executives' market labeling strategies in nanotechnology. *Organization Science* **24**(2): 395–413.
- Hannan MT. 2010. Partiality of memberships in categories and audiences. *Annual Review of Sociology* **36**: 159–181.
- Hsu G. 2006. Jacks of all trades and masters of none: audiences' reactions to spanning genres in feature film production. *Administrative Science Quarterly* **51**(3): 420–450.
- Ibarra H, Barbulescu R. 2010. Identity as narrative: prevalence, effectiveness, and consequences of narrative identity work in macro work role transitions. *Academy of Management Review* **35**(1): 135–154.
- Ingram P. 1996. Organizational form as a solution to the problem of credible commitment: the evolution of naming strategies among US hotel chains, 1896–1980. *Strategic Management Journal* **17**(S1): 85–98.
- Kane AA, Argote L, Levine JM. 2005. Knowledge transfer between groups via personnel rotation: effects of social identity and knowledge quality. *Organizational Behavior and Human Decision Processes* **96**(1): 56–71.
- Kaplan D. 1999. *Silicon Boys: and their Valley of Dreams*. William Morrow: New York.
- Klebanov M. 2008. Betas, characteristics and the cross-section of hedge fund returns. Characteristics and the Cross-Section of Hedge Fund Returns (7 January 2008).
- Kuilman JG, Wezel FC. 2013. Taking off: category contrast and organizational mortality in the UK airline industry, 1919–1964. *Strategic Organization* **11**(1): 56–77.
- Lee PM. 2001. What's in a name.com? The effects of '.com' name changes on stock prices and trading activity. *Strategic Management Journal* **22**(8): 793–804.
- Litov LP, Moreton P, Zenger TR. 2012. Corporate strategy, analyst coverage, and the uniqueness paradox. *Management Science* **58**(10): 1797–1815.
- Lounsbury M, Glynn MA. 2001. Cultural entrepreneurship: stories, legitimacy, and the acquisition of resources. *Strategic Management Journal* **22**(6–7): 545–564.
- Miller D, & Chen MJ. 1996. Nonconformity in competitive repertoires: A sociological view of markets. *Social Forces*, **74**(4), 1209–1234.
- Navis C, Glynn MA. 2011. Legitimate distinctiveness and the entrepreneurial identity: influence on investor judgments of new venture plausibility. *Academy of Management Review* **36**(3): 479–499.
- Pfarrer MD, Pollock TG, Rindova VP. 2010. A tale of two assets: the effects of firm reputation and celebrity on earnings surprises and investors' reactions. *Academy of Management Journal* **53**(5): 1131–1152.
- Podolny JM. 1993. A status-based model of market competition. *American Journal of Sociology* **98**(4): 829–872.
- Pontikes E, Hannan M. 2014. An ecology of social categories. *Sociological Science* **1**: 311–343.
- 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**(S1): 29–44.
- Scott WR. 1987. The adolescence of institutional theory. *Administrative Science Quarterly* **32**(4): 493–511.

- Sensoy BA. 2009. Performance evaluation and self-designated benchmark indexes in the mutual fund industry. *Journal of Financial Economics* **92**(1): 25–39.
- Simcoe TS, Waguespack DM. 2011. Status, quality, and attention: what's in a (missing) name? *Management Science* **57**(2): 274–290.
- Smith EB. 2011. Identities as lenses: how organizational identity affects audiences' evaluation of organizational performance. *Administrative Science Quarterly* **56**(1): 61–94.
- Smith EB. 2014. Transmitters, transformers, and market change: a structural explanation of market change in the hedge fund industry. Working paper, Northwestern University Kellogg School of Management, Evanston, IL.
- Snow DA, Rochford EB Jr, Worden SK, Benford RD. 1986. Frame alignment processes, micromobilization, and movement participation. *American Sociological Review* **51**(4): 464–481.
- Stuart TE, Hoang H, Hybels RC. 1999. Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly* **44**(2): 315–349.
- Suchman MC. 1995. Managing legitimacy: strategic and institutional approaches. *Academy of Management Review* **20**(3): 571–610.
- Westphal JD, Graebner ME. 2010. A matter of appearances: how corporate leaders manage the impressions of financial analysts about the conduct of their boards. *Academy of Management Journal* **53**(1): 15–44.
- White HC. 1981. Where do markets come from? *American Journal of Sociology* **17**: 517–547.
- Zhao EY, Ishihara M, Lounsbury M. 2013. Overcoming the illegitimacy discount: cultural entrepreneurship in the US feature film industry. *Organization Studies* **34**(12): 1747–1776.
- Zuckerman EW. 1999. The categorical imperative: securities analysts and the illegitimacy discount. *American Journal of Sociology* **104**(5): 1398–1438.

SUPPORTING INFORMATION

Additional supporting information may be found in the online version of this article:

Table S1. Definitions from TASS of primary investment styles (definition of fund of funds from Barclay's hedge).

Table S2. Strategic and investment focus attributes included in TASS.