

Getting Off to a Good Start: The Effects of Upper Echelon Affiliations on Underwriter Prestige

Monica C. Higgins, Ranjay Gulati

Published Online: 1 Jun 2003 | <https://doi.org/10.1287/orsc.14.2.244.15160>

Abstract

The initial public offering (IPO) is one of the most critical events in the lifetime of a young firm. Prior research has shown that firms tend to have successful IPOs if they go public with the endorsement of a prestigious lead underwriter. This paper examines the antecedents to receiving endorsement by a prestigious underwriter and links this to the experience base of a firm's upper echelon. We theorize that the amount and type of upper echelon experience serve as important symbols of a young firm's legitimacy to critical outsiders. We introduce a typology of upper echelon experience that distinguishes between upper echelon upstream, horizontal, and downstream employment-based affiliations and suggest that these different types of upper echelon affiliations allay different types of endorser concerns regarding firm legitimacy, affecting the endorsement process. Further, we theorize that the relationships between upper echelon experience and investment bank prestige will be moderated by technological uncertainty. We test our assertions on a comprehensive sample of public and private biotechnology firms that were founded between 1961 and 1994 and that went public between 1979 and 1996. Analyses of the five-year career histories of the over 3,200 executives and directors that make up the upper echelons of these firms show that firms with upper echelons with affiliations with prominent downstream organizations (i.e., pharmaceutical and/or healthcare companies) and with prominent horizontal organizations (i.e., biotechnology companies) are more likely to attract the endorsement of a prestigious investment bank. We also find that the greater the range of upper echelon affiliations across the categories of upstream, horizontal, and downstream affiliations, the more prestigious the firm's lead underwriter. We also find that these latter results are moderated by technological uncertainty. The present research has implications for the study of organizational legitimacy, interorganizational endorsements, and entrepreneurship.

[< Previous](#)

[Back to Top](#)

[Next >](#)



Volume 14, Issue 3

May-June 2003

Pages 227-351

Article Information

Metrics

Downloaded 75 times in the past 12 months

Information

Published Online: June 01, 2003

© 2003 INFORMS

Cite as

Monica C. Higgins, Ranjay Gulati, (2003) Getting Off to a Good Start: The Effects of Upper Echelon Affiliations on Underwriter Prestige. Organization Science 14(3):244-263.

<https://doi.org/10.1287/orsc.14.2.244.15160>

Keywords

- Interorganizational Endorsements
- Initial Public Offering (IPO)
- Entrepreneurship
- Biotechnology
- Careers
- Legitimacy

PDF download

Sign Up for INFORMS Publications Updates and News

SIGN UP



Institute for Operations Research and the Management Sciences

5521 Research Park Drive, Suite 200
Catonsville, MD 21228 USA

phone 1 443-757-3500

phone 2 800-4INFORMS (800-446-3676)

fax 443-757-3515

email informs@informs.org

Get the Latest Updates

[Discover INFORMS](#)

[Explore OR & Analytics](#)

[Get Involved](#)

[Impact](#)

[Join Us](#)

[Recognizing Excellence](#)

[Professional Development](#)

[Resource Center](#)

[Meetings & Conferences](#)

[Publications](#)

[About INFORMS](#)

[Communities](#)

[PubsOnLine](#)

[2024 INFORMS/ALIO/ASOCIO International Conference](#)

[Certified Analytics Professional](#)

[Career Center](#)

[INFORMS Connect](#)

Copyright 2025 INFORMS. All Rights Reserved

[INFORMS Code of Conduct](#) | [Terms of Use](#) | [Privacy](#) | [Contact INFORMS](#) | [Sitemap](#)

Follow INFORMS on:  [X](#)  [Facebook](#)  [LinkedIn](#)