Appendix: Data & Robustness tests

Data

Tables A1–A5 have information about the mobility of partners between different international law firms in Hong Kong. Tables A1a and A1b summarize the movement of partners between these organizations. Table A2 describes the hiring of partners by tier of the status ranking.

Table A3 presents all twenty status-distant (three tier or more) mobility events that occurred within our observation window and the status changes that occurred after these mobility events. One issue that arises with our analysis is that there are two reasons why the coefficient for hiring three ties above might be statistically non-significant. It could be that does not affect organizational status. However, it could be statistically non-significant because it triggers increases and decreases in status, which cancel each other out. As shown in Table A3, there are only five instances of a firm gaining status out of 20 total instances of status distant hires and only one firm whose status decreased following a status distant mobility event. The overall trend in the data is that status-distant mobility events, for the most part, are not associated with status increases. We believe that this trend line further corroborates our main hypothesis or that the statistically non-significant coefficient for hiring from three tiers is not statistically non-significant because of a small sample size of relevant events.

Table A4 covers changes in mobility that involve differences in leverage, our proxy for higher levels of compensation offered by the destination, a potential motivation for partner mobility. We calculated each firm's leverage and explored whether the mobile partners' destination was more or less leveraged than the source. A majority of the 97 status-heterogenous mobility events, (63 mobility events or 65%) involved partners leaving for a higher-leveraged firm. When focusing on the subsample of firms that are one tier apart, 34 of these mobility events (35% of the total number of status-different mobility events) involved an increase in leverage. A similar pattern is observed when considering firms that are two tiers apart. In contrast, when hiring from three or more tiers above, only 7 mobility events (3% of the total number of status-different mobility events) involved an increase in leverage. We would interpret these results as supporting a cost-based explanation. Partners that desire higher compensation may move to a lower-status firm to obtain it.

Table A5 covers partner-level mobility events that involve moves between firms that differ in

their specialization, our proxy for mobility events motivated by strategic reasons. If a partner from a high-status firm is hired to strengthen a practice area of a low-status firm, the mobile partner is likely to become the resident star of the low-status firm. Being hired to strengthen a practice implies more control and autonomy over the work process. This control may translate to greater leeway over hiring decisions, the training of attorneys within a practice area, and the implementation of work related to these areas. The ability to gain greater control over the firm's work in conjunction with the ability to leave their imprint on the firm could explain why a partner moves. Table A6 shows that the majority of moves from higher to lower status firms involve the mobile partner's going to a firm that is more specialized in the focal partner's area of legal specialization than the mobile partner's source. In particular, out of the 97 status heterogeneous mobility events, 58% involved a move to a more specialized firm. A similar pattern of results is observed across various status distances (i.e., firms two or three tiers apart). This trend of results suggests that the majority of status-heterogeneous moves involve joining a firm that had a greater depth in the mobile partner's practice area. We infer from this pattern that the hiring firm acquires the mobile partner to strengthen the established practice area. If this is the case, then the mobile partner's motivation is likely to be strategic.

Individual-level unobserved heterogeneity

Although the fixed-effects OLS models may have accounted for the biasing effect of firm-level unobserved heterogeneity, individual-level unobserved heterogeneity could still influence the estimates. To address this issue, we derived a variable, *top partner*, from *Martindale Hubbell* and tested the effect of the mobility of this top partner on organization-level status. A given partner was coded as a *top partner* if the focal partner either had been a law firm's managing partner which is the highest formal job title that can be granted in a law firm and is roughly equivalent to being a chief executive officer in a corporation or had 10 years or more experience as a partner.[1] Because of their managerial or professional experience, these partners may possess more resources or a higher-level of capabilities than other partners and may be more likely to be able to bring these unique capabilities

[1] Top partners make up 36% of the status-heterogeneous mobility events for the unranked firms risk set, 42% of the status-heterogeneous mobility events for the low-ranked firms risk set, and 28% of the status-heterogeneous mobility events for the highly-ranked firms risk set.

with them when they move. In Table A6, we regressed the hiring of top (high capability) and not-top (normal capability) partners on unranked and low-ranked firms' status accumulation. We used the same models and regressed the exit of top (high capability) and not-top (normal capability) partners on highly-ranked firms' status decline. We found that the pattern of results of the models involving high- and low-capability moves were similar to those reported in the paper. The estimates for the high-capability partners were marginally stronger in magnitude than those for the normal capability partners, which we interpret as indicating that the effect of mobility on firm-level status may be even reinforced by positive differences in capabilities.

Endogeneity

In addition to testing for a biasing effect of individual-level unobserved heterogeneity, we also conducted an instrumental variable analysis to address the issue of reverse causality in the regression estimates of the relationship between mobility associations and organization-level status. The instrument was the creation of a new practice. Since the majority of partners move to strengthen a practice area and not to found or begin a novel practice area, the creation of a new practice should negatively affect mobility and be correlated with our predictors. However, the creation of a new practice is unlikely to correlate with status changes, our dependent variable, as substantial amount of time often passes between the creation of a practice area and its ranking. A market researcher pointed out "rankings are often conservative. If there is a firm that is trying to get ranked, there is a longer observation window before this firm can get ranked." Another market researcher noted that "when we research we ask for the top 10 or top 15 deals that happened over the past year…new entrants often don't have these deals." Thus the creation of a new practice area may be uncorrelated with its ranking or the dependent; the actual correlation of these variables is quite low (0.008). As reported in Table A7, we used the ivregress command in Stata 12 to examine the influence of this instrument.

For the instrumented *status-accumulation* models (Models 1 and 2 of Table A7), the first stage *F*-statistic is higher than 9.08 for the two risk-sets (unranked firms: F=16.38; low-ranked firms: F=9.09). The results for the Sargen-Hansen test of overidentification (unranked firms: p<.13; low-ranked firms: p<.51) allowed us to accept the null hypothesis that the instrument is uncorrelated with

the error term. The Wald test of exogeneity achieved standard levels of statistical significance for the unranked firms risk-set ($p<.01$) and marginal significance for the low-ranked firms risk set ($p<.10$). The statistical significance of our predictors in the instrumented model for both of the status accumulation models was the same as in the non-instrumented model. This means that partners are not necessarily moving to a firm because of that firm's growth in status or movement up the rankings.

For the instrumented *status-decline* models, the first stage *F*-statistic was low ($F=5.58$). In conjunction with the Wald test of exogeneity not achieving standard levels of statistical significance ($p<.15$), we concluded that this instrument is neither relevant nor exogenous for the status-decline models. We therefore tried adding an additional instrument to the model. We used the predicted probability of a firm's mortality as failure can sometimes spur mobility yet the probability of failure is mostly uncorrelated (0.04) with status decline. While firm failure may not be as clear conceptually as the creation of a new practice area, we thought that the benefits of including an instrumented status-decline model outweighed this negative. These results are reported in Model 3 of Table A5. The first stage *F*-statistic was higher than 9.08 ($F=9.20$). The Wald test was significant ($p<.05$); the Sargen-Hansen test was nonsignificant ($p<.20$). The statistical significance of the predictors in the instrumented model was substantially the same as in the prior models which indicates that a decline in status does not trigger mobility.

Table A1a: Summary of Descriptive Statistics (Hires)

	Number of Events (98-08)	Ratio Number of Events / Total number of Mobility Events (215)	Ratio: Number of Events / Total number of Hires from Above (97)
Total Number of Mobility Events:	215	1.00	-
Total Hires Below	59	0.27	-
Total Hires Same	59	0.27	-
Total Hires Above	97	0.45	-
Of Which:			
Total # Hires Above (1 Tier Higher)	50	0.23	0.52
Total # Hires Above (2 Tiers Higher)	27	0.13	0.28
Total # Hires Above (3 or more Tiers Higher)	20	0.09	0.21

Table A1b: Summary of Descriptive Statistics (Exits)

	Number of Events (98-08)	Ratio Number of Events / Total number of Mobility Events (215)	Ratio: Number of Events / Total number of Exit Below (97)
Total Number of Mobility Events:	215	1.00	-
Total Exits Above	59	0.27	-
Total Exits Same	59	0.27	-
Total Exits Below	97	0.45	-
Of Which:			
Total # Exits Below (1 Tier Below)	50	0.23	0.52
Total # Exits Below (2 Tiers Below)	27	0.13	0.28
Total # Exits Below (3 or more Tiers Below)	20	0.09	0.21

Table A2: Hires by Tier (1998-2008)

	Number of Events	Ratio: Total Mobility Events	Ratio: Total Hires of Firm	Ratio: Hire from above
Tier 0				
Hired Same: Number of partners hired from Tier 0 firms	17	0.08	0.33	
Hired Above: Number of partners hired from a higher status firm	34	0.16	0.67	0.35
Hired Above1: Number of partners hired from one tier above (Tier 1)	11	0.05	0.22	0.11
Hired Above2: Number of partners hired from two tiers above (Tier 2)	10	0.05	0.20	0.10
Hired Above3: Number of partners hired from three tiers above or greater (Tier 3.4.5.6)	13	0.06	0.25	0.14
Total Hires	51	0.24	1.00	
Tier 1				
Hires Below: Number of partners hired from Tier 0 firms	3	0.01	0.30	
Hires Same: Number of partners hired from Tier 1 firms	0	0.00	0.00	
Hires Above: Number of partners hired from a higher status firm	7	0.03	0.70	0.07
Hires Above1: Number of partners hired from one tier above (Tier 2)	3	0.01	0.30	0.03
Hires Above2: Number of partners hired from two tiers above (Tier 3)	2	0.01	0.20	0.02
Hires Above3: Number of partners hired from three tiers above or greater (Tier 4.5.6)	2	0.01	0.20	0.02
Total Hires	10	0.05	1.00	
Tier 2				
Hires Below: Number of partners hired from Tier 1 or Tier 0 firms	2	0.01	0.08	
Hires Same: Number of partners hired from Tier 2 firms	1	0.00	0.04	
Hires Above: Number of partners hired from a higher status firm	23	0.11	0.88	0.24
Hires Above1: Number of partners hired from one tier above (Tier 3)	10	0.05	0.38	0.10
Hires Above2: Number of partners hired from two tiers above (Tier 4)	8	0.04	0.31	0.08
Hires Above3: Number of partners hired from three tiers above or greater (Tier 5.6)	5	0.02	0.19	0.05
Total Hires	26	0.12	1.00	

Table A2 continued

	Number of Events	Ratio: Total Mobility Events	Ratio: Total Hires of Firm	Ratio: Hire from above
Tier 3				
Hires Below: Number of partners hired from Tier 2. 1. or 0 firms	14	0.07	0.23	
Hires Same: Number of partners hired from Tier 3 firms	22	0.10	0.35	
Hires Above: Number of partners hired from a higher status firm	26	0.12	0.42	0.27
Hires Above1: Number of partners hired from one tier above (Tier 4)	20	0.09	0.32	0.21
Hires Above2: Number of partners hired from two tiers above (Tier 5)	6	0.03	0.10	0.06
Hires Above3: Number of partners hired from three tiers above or greater (Tier 6)	0	0.00	0.00	0.00
Total Hires	62	0.29	1.00	
Tier 4				
Hires Below: Number of partners hired from Tier 3. 2. 1. or 0 firms	31	0.14	0.62	
Hires Same: Number of partners hired from Tier 4 firms	14	0.07	0.28	
Hires Above: Number of partners hired from a higher status firm	5	0.02	0.10	0.05
Hires Above1: Number of partners hired from one tier above (Tier 5)	4	0.02	0.08	0.04
Hires Above2: Number of partners hired from two tiers above (Tier 6)	1	0.00	0.02	0.01
Total Hires	50	0.23	1.00	
Firm Tier 5				
Hires Below: Number of partners hired from Tier 4. 3. 2. 1. or 0 firms	9	0.04	0.56	
Hires Same: Number of partners hired from Tier 5 firms	5	0.02	0.31	
Hires Above1: Number of partners hired from one tier above (Tier 6)	2	0.01	0.13	0.02
Total Hires	16	0.07	1.00	
Firm Tier 6				
Hires Below: Hires partner from Firm Tier 5.4. 3. 2. 1. or 0	0	0	0	0
Hires Same: Hires partner from Firm Rank 6	0	0	0	0
Total Number of Hires	0	0	0	0

Table A3: Status distant mobility events

Year	Destination id	Destination status (year of hire)	Destination status (year after hire)	Status increase	Status decrease
2000	59	0	4	1	0
2000	87	2	2	0	0
2001	80	0	0	0	0
2001	80	0	0	0	0
2001	99	0	0	0	0
2001	162	1	3	1	0
2002	64	1	3	1	0
2002	168	2	2	0	0
2003	172	0	0	0	0
2003	173	0	2	1	0
2004	116	2	1	0	1
2005	140	0	0	0	0
2005	180	0	0	0	0
2006	113	2	3	1	0
2006	115	2	2	0	0
2006	191	0	0	0	0
2007	201	0	0	0	0
2007	201	0	0	0	0
2007	207	0	0	0	0
2008	7	0	0	0	0

Table A4: Summary of Descriptive Statistics - Hires & Leverage

	Number of Events	Ratio: Total Mobility Events (215)	Ratio: Hire from above (97)
Total Hires Lower Leverage	74	0.34	-
Total Hires Same Leverage	8	0.04	-
Total Hires Higher Leverage	133	0.62	-
Total Hires Below & Lower Leverage	26	0.12	-
Total Hires Below & Same Leverage	0	0	
Total Hires Below & Higher Leverage	33	0.15	-
Total Hires Same & Lower Leverage	15	0.07	-
Total Hires Same & Same Leverage	6	0.03	
Total Hires Same & Higher Leverage	37	0.17	-
Total Hires Above & Lower Leverage	33	0.15	0.34
Total Hires Above & Same Leverage	2	0.01	0.02
Total Hires Above & Higher Leverage	63	0.29	0.65
Of Which:			
Total Hires Above1 & Lower Leverage	15	0.07	0.15
Total Hires Above1 & Same Leverage	1	0.004	0.01
Total Hires Above1 & Higher Leverage	34	0.16	0.35
Total Hires Above2 & Lower Leverage	5	0.02	0.05
Total Hires Above2 & Same Leverage	1	0.004	0.01
Total Hires Above2 & Higher Leverage	21	0.10	0.22
Total Hires Above3 & Lower Leverage	13	0.06	0.13
Total Hires Above3 & Same Leverage	0	0	0
Total Hires Above3 & Higher Leverage	7	0.03	0.07

Table A5: Summary of Descriptive Statistics – Number of Hires and Specialization of the Destination

	Number of Events	**Ratio: Total Mobility Events (215)**	**Ratio: Hires from Above (97)**
Total Hires Less Specialized	43	0.20	-
Total Hires Same Specialization	69	0.32	-
Total Hires Higher Specialization	103	0.48	-
Total Hires Below & Lower Specialization	32	0.15	-
Total Hires Below & Same Specialization	12	0.06	-
Total Hires Below & Higher Specialization	15	0.07	-
Total Hires Same & Lower Specialization	9	0.04	-
Total Hires Same & Same Specialization	16	0.07	-
Total Hires Same & Higher Specialization	27	0.13	-
Total Hires Above & Lower Specialization	6	0.04	0.08
Total Hires Above & Same Specialization	35	0.16	0.36
Total Hires Above & Higher Specialization	56	0.26	0.58
Of Which:			
Total Hires Above1 & Lower Specialization	7	0.03	0.07
Total Hires Above1 & Same Specialization	21	0.10	0.22
Total Hires Above1 & Higher Specialization	24	0.11	0.25
Total Hires Above2 & Lower Specialization	2	0.01	0.02
Total Hires Above2 & Same Specialization	5	0.02	0.05
Total Hires Above2 & Higher Specialization	17	0.08	0.18
Total Hires Above3 & Lower Specialization	3	0.01	0.03
Total Hires Above3 & Same Specialization	3	0.01	0.03
Total Hires Above3 & Higher Specialization	14	0.07	0.14

Table A6: Regression Models Predicting Status Accumulation or Decline following the Hiring or Placement of a Top (High Capability) Partner*

Variables	Probit **Model 1:** Status Accumulation Unranked Firms	OLS **Model 2:** Status Accumulation Unranked Firms	Probit **Model 3:** Status Accumulation Tier 1 & 2 Firms	OLS **Model 4:** Status Accumulation Tier 1 & 2 Firms	Probit **Model 5:** Status Decline Tier 5 & 6 Firms	OLS **Model 6:** Status Decline Tier 5 & 6 Firms
Firm & Market Controls						
Firm Size	0.02	0.01	0.03	0.01	-0.01	-0.01
	(0.02)	(0.01)	(0.06)	(0.01)	(0.01)	(0.01)
Firm Leverage	0.05	0.01	0.06	0.02	0.03	0.02
	(0.08)	(0.01)	(0.10)	(0.02)	(0.07)	(0.02)
Growth Rate	0.17	0.01	0.20	0.07	0.04	0.01
	(0.25)	(0.03)	(0.27)	(0.04)	(0.27)	(0.10)
Firm Specialization	1.51*	0.67**	2.48***	0.78**	1.68	0.10
	(0.81)	(0.25)	(0.66)	(0.31)	(2.33)	(0.77)
Entry 1998	0.14	-	-0.45	-	-0.10	-
	(0.23)	-	(0.58)	-	(0.29)	-
GDP (Log)	0.44***	0.27***	0.40	0.29	-0.12	0.03
	(0.10)	(0.05)	(0.34)	(0.41)	(0.18)	(0.12)
Firm Density	0.04	0.03	0.06***	0.02**	0.04***	0.02***
	(0.03)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)
Non-HK Mobility						
Market Entry	0.09	0.02	0.46	0.01	0.35	0.27
	(0.40)	(0.07)	(0.56)	(0.09)	(0.29)	(0.21)
Market Exit	0.15	0.08	0.36	-0.06	0.44	0.16
	(0.55)	(0.06)	(0.31)	(0.06)	(0.40)	(0.11)
Hires						
Hire Below	-	-	-0.62	-0.04	-0.76	-0.37
	-	-	(0.42)	(0.05)	(0.72)	(0.21)
Hire Same	-0.51	-0.05	0.02	0.01	0.73	0.12
	(0.63)	(0.13)	(0.43)	(0.16)	(1.02)	(0.30)
Hired (Top partner) One Tier Above	2.69***	0.24***	5.26***	0.18	-	-
	(0.34)	(0.07)	(0.84)	(0.34)	-	-
Hired (Top partner) Two Tier Above	0.56	0.15	3.07***	0.04	-	-
	(0.71)	(0.20)	(1.47)	(0.35)	-	-
Hired (Top partner) Three of More Tiers Above	0.23	0.03	1.53**	0.02	-	-
	(0.83)	(0.08)	(0.56)	(0.06)	-	-
Hired (non-Top partner) One Tier Above	1.28***	0.22**	0.54**	0.07**	-	-
	(0.45)	(0.10)	(0.24)	(0.03)	-	-

Table A6 Continued	**Model 1:** Status Accumulation Unranked Firms	**Model 2:** Status Accumulation Unranked Firms	**Model 3:** Status Accumulation Tier 1 & 2 Firms	**Model 4:** Status Accumulation Tier 1 & 2 Firms	**Model 5:** Status Decline Tier 5 & 6 Firms	**Model 6:** Status Decline Tier 5 & 6 Firms
Hired (non-Top partner) Two Tiers Above	0.53	0.23	0.52	0.07	-	-
	(0.75)	(0.21)	(0.36)	(0.06)	-	-
Hired (non-Top partner) Three or More Tiers Above	0.07	0.01	0.15	0.01	-	-
	(0.28)	(0.05)	(0.32)	(0.04)	-	-
Exits						
Exit Above	0.38	0.03	0.21	0.01	-	-
	(0.44)	(0.07)	(0.61)	(0.10)	-	-
Exit Same	0.34	-0.13	-0.69	-0.11	0.08	0.03
	(0.53)	(0.10)	(0.51)	(0.30)	(0.35)	(0.17)
Exit Below	-	-	0.15	0.05	-	-
	-	-	(0.43)	(0.13)	-	-
Exit (Top partner) One Tier Below	-	-	-	-	1.44**	0.86**
	-	-	-	-	(0.62)	(0.39)
Exit (Top partner) Two Tiers Below	-	-	-	-	0.17	0.11
	-	-	-	-	(0.20)	(0.24)
Exit (Top partner) 3 or more Tiers Below	-	-	-	-	0.11	0.01
	-	-	-	-	(0.51)	(0.09)
Exit (non-Top partner) One Tier Below	-	-	-	-	0.33	0.69**
	-	-	-	-	(1.31)	(0.34)
Exit (non-Top partner) Two Tiers Below	-	-	-	-	0.24	0.08
	-	-	-	-	(0.28)	(0.09)
Exit (non-Top partner) 3 or more Tiers Below	-	-	-	-	0.24	0.07
	-				(0.24)	(0.05)
Constant	2.64	3.92***	14.59**	7.78**	-3.66	-3.02***
	(2.24)	(1.18)	(4.91)	(2.93)	(2.31)	(1.08)
R-Squared	-	0.43	-	0.48	-	0.27
Pseduo R-Squared	0.29	-	0.29	-	0.13	-
Log-Likelihood	-136.88	-	-63.21	-	-56.62	-
Observations	344	344	241	241	115	115

Note: OLS models include firm-year fixed effects; * Bootstrapped standard errors (1000 repetitions) clustered at firm level (103, 46, & 31 Clusters)
*** p<0.01; **p<0.05; *p<0.10, significance tests are two-tailed

Table A7: Regression models predicting status accumulation or status decline with instrument

	Model 1 Unranked Firms Status Accumulation	**Model 2** Low Ranked Firms Status Accumulation	**Model 3** Highly Ranked Firms Status Decline
Firm / Market / Mobility Controls			
Firm Size	0.01	0.01	-0.01
	(0.01)	(0.01)	(0.01)
Firm Leverage	0.03	-0.01	0.01
	(0.20)	(0.03)	(0.03)
Growth Rate	0.12	-0.02	-0.01
	(0.54)	(0.04)	(0.07)
Firm Specialization	0.25	0.59***	0.65
	(1.28)	(0.09)	(0.61)
Entry 1998	0.03	-0.03	-0.04
	(0.06)	(0.07)	(0.10)
GDP (Log)	0.07	-0.16	0.07
	(0.08)	(0.24)	(0.05)
Firm Density	0.05**	0.02**	0.02**
	(0.02)	(0.01)	(0.01)
Market Entry	0.08	0.11	0.42*
	(0.10)	(0.23)	(0.22)
Market Exit	0.11	-0.02	-0.11
	(0.19)	(0.08)	(0.11)
Hires			
Hired Below	-	-0.09	0.04
	-	(0.17)	(0.14)
Hired Same	0.25	0.12	-0.02
	(0.84)	(0.25)	(0.02)
Hired (Leading Lawyer) from Above	0.41	0.64	-
	(0.95)	(1.03)	-
Hired Above: Tier 1	0.38**	0.61**	-
	(0.18)	(0.29)	-
Hired Above: Tier 2	0.27	0.09	-
	(0.87)	(0.28)	-
Hired Above: Tier 3 or more	0.19	0.09	-
	(0.68)	(0.29)	-
Exits			
Exit Above	0.09	0.02	-
	(0.27)	(0.09)	-
Exit Same	-0.08	-0.18	0.21
	(0.21)	(0.61)	(0.31)
Exit (Leading Lawyer) Below	-	-	0.49
	-	-	(0.80)
Exit One Tier Below	-	-	0.37**
	-	-	(0.17)
Exit Two Tiers Below	-	-	0.47
	-	-	(0.48)
Exit Three or More Tiers Below	-	-	0.06
	-	-	(0.11)
Constant	0.67	-1.05	-0.90
	(0.74)	(0.91)	(0.73)
R-Squared	0.20	0.43	0.42
Observations	245	183	115

Robust standard errors in parentheses; *** p<0.01, ** p<0.05, * p<0.1; Model 3 has additional instrument