***Disclaimer*: This is a re-submission of a now more advanced version of a paper that was supposed to have received this scholarship from the 2020 AAWE conference (the conference was cancelled, but I continued this work as part of my dissertation and then took at job at University College London in 2021). Note that I have also submitted this paper to the AAWE general conference call for abstracts. This outline also details how I seek to continue to build from this piece of my dissertation work on third party evaluation and the ratings/ranking industry more generally, along with clarifying how it implicitly and explicitly relates to the wine economics community. Note also that this dissertation has recently been named a finalist for dissertation awards at the upcoming Academy of Management (from the Strategy Division) and the Industry Studies Association conferences.**

PROJECT OUTLINE:

Michelin Star… or Target? The Role(s) of Third Parties in Value Creation and Capture

Daniel B. Sands
University College London

Understanding how value is created and captured in markets reflects a core line of inquiry in strategic management research. Given this orientation, it is perhaps unsurprising that some of the most impactful strategy frameworks tend to concentrate on the interactions of exchange partners when investigating performance in markets (e.g., Barney, 1991; Brandenburger & Nalebuff, 1996; Porter, 1980, 1985). Considering the activities of third parties, however, may also help us understand critical determinants of firm performance that exist outside the boundaries of transactions. Indeed, work at the intersection of strategy, organizations, and economic sociology has long emphasized that third parties can have significant influence on beliefs about value (e.g., Bowers & Prato, 2018, 2019; Espeland & Sauder, 2007; Ravasi, Rindova, & Dalpiaz, 2012; Zuckerman, 1999)—and with the rapid proliferation of third party evaluations in recent years, managers within a wide variety of industries have been facing questions as to what extent and how third parties may impact their business operations. See Figure 1.

This paper contributes to our understanding of the role(s) of third parties in strategic management by developing a theoretical framework that incorporates third parties in value creation and capture. Prior research has illuminated some of the inherent complexities in this space by identifying both positive (e.g., Luca, 2016; Rao, 1994; Reinstein & Snyder, 2005; Wade et al., 2006) and negative (e.g., Lewis & Carlos, 2019; Kovács & Sharkey, 2014) consequences of favorable third party evaluations. And while much of the research on third parties has focused on their effects on consumer behavior, a recent stream of work has further complicated the overall picture by explicitly addressing the complex dynamics that play out at the level of the focal organization (e.g., Chatterji & Toffel, 2010; Favaron, Di Stefano, & Durand, 2021; Gergaud, Storchmann, & Verardi, 2015; Jensen & Kim, 2014; Sharkey & Bromley, 2014). For strategists seeking to disentangle market outcomes, these works underscore the importance of developing a perspective of third parties that can account for changes across the entire value chain. Thus, this paper uses a Value Based View (VBV) foundation to provide a structural apparatus to examining third parties' influence on value creation and capture (e.g., Cattani, Porac, & Thomas, 2017; Cattani et al., 2018)—an approach that also stresses that socially constructed meaning and identities remain central to actors' beliefs and behaviors (see also Sands et al., 2021; White, 2002).

This theoretical framework integrating third parties in value creation and capture serves as the foundation for an abductive case study of The Michelin Guide's entry into New York City in 2005. The primary empirical investigation assesses the impact of Michelin stars on restaurant survival using a two-decade panel (2000–2019) of the openings and closings of New York City's most elite restaurants. Rather than enabling longevity, statistical analyses suggest that receiving a Michelin star corresponds to an increased likelihood of a restaurant going out of business. See Tables 1 and Tables 2.

In order to contextualize this finding, this work leverages additional quantitative and qualitative data to develop an account of how Michelin stars may impact a restaurant's ability to stay in business. In particular, the evidence suggests that restaurants' relationships with their upstream exchange partners (e.g., food suppliers, landlords, and employees) appear to become more complicated as these actors seek to bargain for more value from focal restaurants following their receipt of a Michelin star. Moreover, heightened consumer expectations in the post-Michelin star period appear to place new pressures on the restaurant's business operations. Supplemental findings indicate that the unexpected receipt of a Michelin star may result in an even greater increase in the likelihood that a restaurant goes out of business, but experience can help mitigate these negative effects. This study ultimately underscores the ways in which third parties can influence beliefs and behaviors across the value chain, and it helps advance a nuanced theoretical framework that incorporates external influences on value creation and capture—a perspective that embraces the inherent social dynamics underpinning strategic action in markets.

Outline of Next Steps and Long-Term Developments

After continuing to develop an account of how third parties influence restaurant value creation and capture with this Michelin star paper, I will seek to turn upside-down the usual orientation to third party evaluators—wherein they are the onlookers of a focal industry. Instead, my future work will treat third party evaluators as the focal industry: An industry that today constitutes an ecology of opinions.

This orientation to third party evaluation contributes to the strategic management literature in a variety of ways. Conceptually it does so because "we know little about how the needs, aspirations, and interests of various field-level actors generate entrepreneurial opportunities for individuals and organizations to create new rankings" and, "the processes through which rankings entrepreneurs mobilize various resources and develop the measurement systems they deploy remain poorly understood" (Rindova et al., 2018, p. 2179). Moreover, as a dedicated industry study, this work will engage in archival research to depict how third party evaluators have come to comprise their own industry within the broader New York City restaurant field.

Investigating the historical development of the third party evaluation industry in this way provides generalizable insights into the dynamics of industry formation and development. It deepens our understanding of the broader evaluation industry, which has proliferated and been playing an increasingly important role in markets in recent years (e.g., Kovács & Sharkey, 2014; Lewis & Carlos, 2019; Luca, 2016). As such, this work seeks to make key contributions not only to the growing body of work on third party evaluation and on rankings entrepreneurs, but also to our understanding about how new industries form and evolve over time.

Subsequent refinements to this paper will seek to depict the emergence, formation, and development of the restaurant evaluation industry through the analysis of archival material spanning more than 200 years. While some early reviews of restaurants do exist (and I have gathered archival records going back to the early 1800s), the first concentrated effort in systematic evaluations of restaurants begin to appear in the 1950s with the introduction of The New York Times' restaurant reviews. The New York Times first started publishing restaurant evaluations in 1957, and as the head of the Times' "Directory to Dining" section from 1957 until 1972, Craig Claiborne is often thought of as the architect of modern restaurant reviews. Claiborne's implementation of The New York Times' star rating system and his widespread celebrity led to a proliferation of professional restaurant critics elsewhere in the country. These restaurant evaluations gave audiences an opportunity to agree or disagree with a given critic's assessment, and an ongoing dialogue was struck between critics and readers of their evaluations; this dialogue has since characterized the restaurant evaluation industry—I refer to era as *Phase 1: The Emergence of Restaurant Evaluations and the Rise of Media Outlet Professional Critics.*

Beginning with Nina and Tim Zagat's decision to begin self-publishing their Zagat restaurant guide in 1982, an important innovation in evaluation system form appeared. Their approach, which became widely popular in the next few decades, was based on the insight that evaluations could be surveyed, just like in politics (where Tim had learned the basic premise—and extended it to dining while living in Paris). The Zagat Guide thereby provided audiences a comprehensive overview of the entire market in a way that The New York Times' restaurant reviews could not— by democratizing evaluation and providing a much wider annual review of the restaurant landscape. As their business model was scalable, it also allowed Zagat to leverage its restaurant-survey expertise and expand into other markets. I refer to this era as *Phase 2: New Models of Evaluation and a Multitude of Voices.*

With the entry of digital third party evaluation aggregators (such as Yelp and TripAdvisor) in the early 2000s, the internet further democratized restaurant evaluation and expanded their scope. Evaluations were no longer a dichotomous event occurring when a guidebook or newspaper section was printed. Instead, evaluations became a continuous occurrence that could change with every meal served, and evaluators could interact with those they were evaluating in real time. These dramatic changes, supported by advances in information technologies, also led to new ways of doing business in the industry. I refer to this as *Phase 3: Digital Evaluation Aggregators and a Diversification of Business Models.*

The pendulum began to swing back towards professional evaluators during the latter end of the first decade of the 2000s. That is, attention was once again placed on professional critics—albeit anonymized ones. While other professional critics also emerged, this era is best defined as beginning when The Michelin Guide first arrived to New York City in 2005. Michelin's consecration of stars upon restaurants reinvigorated the sense that professional critics had an important voice in this industry, and it integrated New York City's restaurants and evaluators into the global conversation about gourmet dining. Accordingly, competing logics of evaluation and questions of legitimacy became central to the identities of evaluators and users of evaluations. I refer to this era as *Phase 4: A Return to the Professionals and the Global Restaurant Evaluation Market.*

In placing particular emphasis on differences and changes in third party organizational forms over time and their entry into the New York City restaurant evaluation market, my work contributes to our understanding of how third parties actively seek to shape the perceptions of different market actors. This work highlights how outsiders play a critical role in advancing tastes and preferences. Moreover, it shows how competition amongst the evaluators themselves has been at the heart of the development of markets. As such, it allows us to think about third party evaluators as strategic actors in their own right, which also makes for a unique contribution in that it is the first scholarly account of third party evaluators as an industry study.

Continued Relationship with Elements of Wine Economics

While these projects focus empirically on fine dining and gastronomy, which of course has an implicit relationship with the wine economics space, the theoretical apparatus has a direct relationship with studies of wine. Indeed, the idea of prominent critics shaping the beliefs and behaviors of markets actors is a long-standing issue for scholars of wine (e.g., Ali, Lecocq, & Visser, 2008; Ashenfelter & Jones, 2013; Hay, 2010; Reuter, 2009). Accordingly, this theoretical framework may be extended to better understanding third party evaluators' role in shaping value creation and capture for wine makers. Moreover, the broader historical development of the evaluation industry encompasses the wine evaluators that, today, corresponds very closely to that of the restaurants. Indeed, the developments in the restaurant and wine evaluation industries have been both parallel and intertwined. I intend my future work to continue to expand into elements of wine evaluation and to help better unpack these relationships, which is why I am submitting to the AAWE research paper scholarship.

FIGURES AND TABLES

Figure 1. Value Network with Third Parties affecting Attention and Bargaining

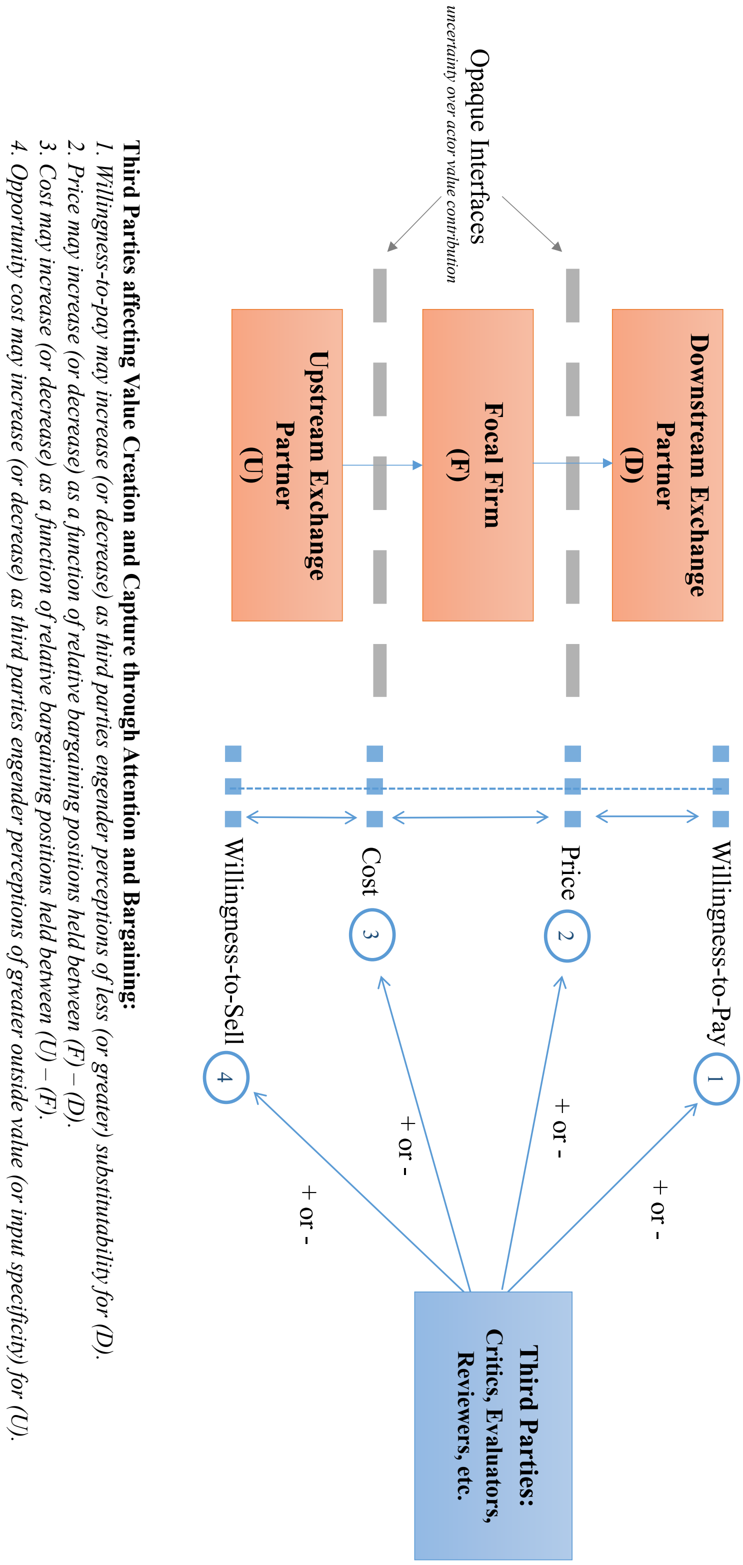

Table 1. Descriptive Statistics and Correlation Matrix

Descriptive Statistics and Correlation Matrix for Selected Variables

	Descriptive Statistics			Correlation Matrix					
	Observations	*Mean*	*Std. Dev.*	*1.*	*2.*	*3.*	*4.*	*5.*	*6.*
Michelin Starred (1)	293	0.372	0.484	1					
Year Opened (2)	293	2008.2	3.828	-0.138	1				
Year Closed (3)	87	2014.9	3.048	-0.429	0.367	1			
Female (4)	293	0.133	0.34	0.056	0.067	0.015	1		
Restaurant Group (5)	293	0.457	0.499	-0.139	0.259	0.112	-0.147	1	
NYT Stars (6)	280	1.689	0.748	0.461	-0.137	-0.299	-0.112	0.075	1
NYT Cost (7)	280	3.014	0.779	0.209	-0.078	-0.207	-0.128	0.218	0.379

Table 2. Main Analyses of Restaurant Survival

Time Variant Cox Proportional Hazards Model Estimation of Restaurant Survival

	1	2	3	4	5	6	7	8
	Hazard Ratio	Hazard Ratio	Hazard Ratio	Hazard Ratio	Hazard Ratio	Hazard Ratio	Hazard Ratio	Hazard Ratio
Post Michelin	1.127 (0.031)	1.123 (0.031)	1.123 (0.031)	1.123 (0.034)	1.125 (0.034)	1.122 (0.038)	1.123 (0.039)	1.125 (0.040)
Female		1.623 (0.434)	1.598 (0.422)	1.530 (0.442)	1.597 (0.475)	1.506 (0.462)	1.398 (0.447)	1.424 (0.445)
Restaurant Group			0.838 (0.201)	0.922 (0.245)	0.922 (0.260)	0.873 (0.292)	0.983 (0.376)	0.963 (0.355)
NYT Stars ★★				1.070 (0.285)	1.084 (0.294)	1.023 (0.295)	1.078 (0.319)	1.109 (0.317)
NYT Stars ★★★				0.786 (0.323)	0.808 (0.377)	0.716 (0.333)	0.768 (0.347)	0.910 (0.389)
NYT Cost $$					0.291 (0.271)	0.271 (0.297)	0.330 (0.375)	0.333 (0.368)
NYT Cost $$$					0.355 (0.322)	0.365 (0.371)	0.437 (0.465)	0.445 (0.460)
NYT Cost $$$$					0.313 (0.284)	0.367 (0.369)	0.442 (0.456)	0.473 (0.481)
Brooklyn							2.444 (1.374)	2.137 (1.123)
Downtown							1.885 (0.880)	1.782 (0.763)
Midtown							2.811 (1.371)	2.786 (1.281)
Queens							5.885 (5.523)	5.194 (4.713)
Opening Year Controls	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Genre Classification Controls	NONE	NONE	NONE	NONE	NONE	INCLUDED	INCLUDED	INCLUDED
Current Year Controls	NONE	NONE	NONE	NONE	NONE	NONE	NONE	INCLUDED
Observations	3338	3338	3338	3247	3247	3247	3247	3247
Group Clusters (Restaurants)	293	293	293	280	280	280	280	280

Results are hazard ratios from a time-variant Cox proportional hazards model. Robust standard errors are clustered at group (restaurant) level and appear in parentheses below coefficients