Eponymous Entrepreneurs

Abstract
When launching new ventures, entrepreneurs make important strategic choices to overcome information asymmetries and the "liability of newness." We explore a specific strategic choice that every entrepreneur must make: choosing the name of their venture. We link this decision to the pursuit of a competitive position in an industry. We argue that eponymy (naming the firm after the owner) is one mechanism by which entrepreneurs can communicate unique skills and commitment, in support of a differentiated competitive position. Using a dataset of over 180,000 European firms, we find that eponymous ventures are more profitable, but that they grow more slowly, consistent with occupying a differentiated competitive position. Our results are particularly pronounced for young firms, for firms that operate in industries where performance is more heterogeneous, and for owners with rare names.

1. Introduction

Understanding how firms establish and maintain competitive positions is a fundamental question in the study of business strategy (Caves & Porter 1977; Porter 1980, 1985, 1991; White 1986). In the emerging literature on entrepreneurial strategy, however, we have fewer insights into how new firms overcome information asymmetries (Akerlof 1970) and the "liability of newness" (Stinchcombe 1965; Pfeffer & Salancik 1978; Freeman et al. 1983; Singh et al. 1986) in the pursuit of sustainable competitive positions, particularly in segments where differentiation is crucial. In this paper, we argue that eponymy, or naming the firm after the founder, is one mechanism by which entrepreneurs can communicate unique skills and commitment to stakeholders in pursuit of a differentiated competitive position. Examples of now well-known companies bearing the names of their founders include Dow Chemical, Gucci, Guinness, Hewlett Packard, Hess, Johnson & Johnson, Kroger, Porsche, Proctor & Gamble, Ryanair, Walgreens, and many others.

Why would a new business owner name a firm after himself? Interestingly, one point of consensus across practitioner guides is that naming the firm after the founder is not advisable, since it indicates a lack of creativity and reduces resale value.[1] In contrast, we argue that eponymy can be an effective strategy under specific conditions. When an entrepreneur seeks to enter the high end of a particular market, his ability to charge a premium price hinges on (1) his unique skills and (2) his commitment not to behave opportunistically. Simply put, the entrepreneur needs to convince stakeholders that he can and will provide a differentiated good or service. Especially for firms that are less likely to have existing reputations, this is a difficult task to accomplish. We contend that eponymous entrepreneurs are able to use their names to communicate skills and commitment to key stakeholders, allowing the firm to occupy a differentiated ("boutique") position in their industry. A differentiated competitive position is typically characterized by higher profitability but lower sales volume, particularly for new, small firms.

1 For example, please see http://www.businessnamingbasics.com/namedevelopment/naming-business-oneself-easy/ (Last accessed April 13th, 2012).

While the firm can charge a higher price for a premium good or service, it is more difficult to scale since the skills of the entrepreneur are so closely identified with the firm. We thus predict that eponymous ventures will be more profitable but have lower sales growth. We do not attempt to demonstrate that any particular naming strategy has a causal impact on firm performance. Rather, we document a systematic relationship, motivated by theory, between names and competitive positions.

Using novel data on over 180,000 private companies from Europe, we find evidence consistent with the idea that eponymy can be used to support a differentiated competitive position. Eponymous entrepreneurs have ventures that are more profitable but grow more slowly in terms of sales. These results are strongest early in the life cycle of the firm, when reputations are less developed. We also perform several other analyses to address concerns about unobserved heterogeneity and find that the results are uniquely consistent with our theoretical arguments. In accordance with our explanations for eponymy, the empirical relationships we document are more apparent in industries where tasks are more complex and there is more variation in firm performance. These are the conditions under which unique skills are most important and the scope for differentiation is greatest. Moreover, as our theory would predict, our results are strongest for business owners with rare last names. These owners have fewer barriers than owners with common names in terms of communicating idiosyncratic skills and commitment. We also check the sensitivity of our main results with numerous robustness checks, including accounting for differences in ownership structure and the ethnic background of business owners.

This work makes several key contributions to the literature on entrepreneurship and new venture strategy. First, we build on seminal work by Michael Porter (1980, 1985, 1991) on competitive positioning and suggest one mechanism by which firms establish and maintain positions in their industry. These ideas are also consistent with theoretical work on endogenous market segmentation in economics (Bagwell & Riordan 1991; Kim, forthcoming), where firms endogenously sort into different competitive positions, without relying on signaling or screening mechanisms. We also shed new light on how entrepreneurial ventures enter at the differentiated or high end of the market, in contrast to prior work that documented entry at the low end (Greenstein 2005).

Despite a growing literature on entrepreneurship and findings that prior experience (e.g., Chatterji 2009) and prominent affiliations (Stuart et al. 1999) are positively associated with superior performance, Hsu and Ziedonis (2012) point out that there is much less evidence on strategic actions new firms can take in the absence of these endowments, which, after all, are costly to acquire. One particularly novel contribution of our work is that we explore a fundamental choice that every entrepreneur faces and focus on a resource, the name, that every entrepreneur has available. Finally, we add to a small but influential literature on names (Bertrand & Mullainathan 2004; Fryer Jr. & Levitt 2004; Simcoe & Waguespack 2011), and firm names in particular (Ingram 1996; Tadelis 1999, 2002; Glynn & Abzug 2002), by

providing strong empirical evidence that firm names offer valuable information to customers and other stakeholders.

2. Theoretical Background

2.1. Incomplete Markets and the Liability of Newness

What factors make entrepreneurship so challenging? Economists, sociologists, and strategic management scholars who study entrepreneurship have offered complementary explanations. Starting with George Akerlof's (1970) classic paper, economists have argued that market failures can occur when buyers and sellers do not have full information. In the case of entrepreneurship, this problem is especially pernicious. For example, an entrepreneur who founds a new business will likely have a difficult time attracting investment if there is no mechanism by which to transmit information about his skills and his commitment not to behave opportunistically (Amit et al. 1990; Shane & Cable 2002).

To overcome these kind of market failures and facilitate exchange, market participants can develop reputations (Spence 1974), which represent the likelihood they will act in a particular manner (Shapiro 1983; Tadelis 1999). However, entrepreneurs and their new businesses typically lack strong organizational reputations (Fombrun & Shanley 1990), making it more difficult to secure suppliers, attract investments, and acquire customers.

Thus, in the presence of incomplete markets and underdeveloped organizational reputations, it is not surprising that entrepreneurs face significant challenges in starting and growing their businesses, becoming profitable, and surviving. Sociologists and strategic management scholars have advanced the complementary notion that there is a "liability of newness" for new ventures (Stinchcombe 1965; Pfeffer & Salancik 1978; Freeman et al. 1983; Singh et al. 1986), driven in part by a lack of social acceptance or legitimacy (DiMaggio & Powell 1983). This lack of legitimacy makes it difficult for entrepreneurs to build ties with important exchange partners, who could provide financial and managerial resources, and thus new organizations will have higher failure rates (Stinchcombe 1965; Pfeffer & Salancik 1978). While there are important differences between these various scholarly perspectives, for our purposes they share a common prediction that new ventures will face significant barriers to acquiring customers, finding suppliers, and raising capital.

What can entrepreneurs do in the face of these challenges? Scholars have argued that communicating information across the market can be especially important. In economic theory, signaling is one mechanism to overcome information asymmetry and incomplete markets (Spence 1973, 1974; Milgrom & Roberts 1986; Bagwell & Riordan 1991). In a similar spirit, sociologists and strategic management scholars have explored strategic choices and activities aimed at acquiring social legitimacy. Significant prior work has argued that entrepreneurs and their new ventures can take actions to gain social

acceptance (DiMaggio & Powell 1983); in turn, increased legitimacy can help them acquire other valuable resources such as financial capital (Aldrich & Fiol 1994; Zimmerman & Zeitz 2002).

2.2. Naming the Firm

In contrast to most of the prior literature discussed above, we chose to explore a different kind of strategic choice that occurs very early in the life of a firm—choosing a business name. Choosing the name of a new business is an important decision. As memorably stated in a Wall Street Journal article, "(f)or entrepreneurs, the importance of picking the right name for a company may rank second only to naming a child. (And it's a lot more expensive to change.)"[2] Not only is there a proliferation of practitioner guides for choosing a business names, an entire industry of naming consultants exists solely to help businesses choose names.

There is small but notable literature on firm names across several different disciplines. Some of this work argues that naming the firm is an important strategic choice that can help the nascent organization gain social acceptance (Ashforth & Gibbs 1990; Glynn & Abzug 2002). Other work explores how variation in naming strategies is related to firm performance. For example, Ingram (1996) finds that some hotel chains name all of their properties after the corporate parent (i.e., Marriott) while others customize property names according to the local environment (i.e., the Big Apple Hotel). The author argues that naming all properties after the corporate parent is a mechanism to establish a credible commitment to quality service and finds that firms using this naming strategy survive longer. Similarly, McDevitt (2012) argues that plumbers name their firms to signal quality, with low-quality plumbers using names that appear early in the alphabet to attract customers who are not willing to invest much time in searching for the right contractor.

A significant portion of the literature concerns itself with name changes and the market for names. Tadelis (1999) describes the theoretical conditions that must be present for a market for names to exist. McDevitt (2011) finds that low-performing plumbing firms are more likely to change their names, while Phillips and Kim (2009) find that firms distributing jazz recordings in the 1920s used pseudonyms to preserve their social identities. Furthermore, a set of papers in the marketing and finance literature explore whether value is created from firm name changes (for a summary, see Cooper et al. 2001), and there is some evidence that names can influence stock prices (Horsky 1987; Cooper et al. 2001; Lee 2001) and mutual fund inflows (Cooper et al. 2005).

[2] Bounds, Wendy. "How to Choose a Company Name: A 12-Point Test," The Wall Street Journal, June 5th, 2008 (http://blogs.wsj.com/independentstreet/2008/06/05/how-to-choose-a-company-name-a-12-point-test).

2.3. The Eponymous Entrepreneur and Competitive Positioning

Building on this emerging literature on firm names, we explore a new naming strategy, eponymous ventures (firms named after the owner). To our knowledge, this strategy has not been addressed in previous academic studies, though numerous well-known businesses carry their owner's name.[3] What explains this particular naming strategy? Bringing together insights from the literature discussed above, we argue that under certain conditions, entrepreneurs can use eponymy to support a differentiated competitive position. Given that entrepreneurs are less likely to have existing reputations than incumbent firms, eponymy is one way to communicate their unique skills and demonstrate a commitment not to act opportunistically. Below, we briefly summarize the research on competitive positioning and explain the logic behind our predictions.

Understanding how firms establish and maintain competitive positions is a fundamental research area in strategic management. Porter (1980, 1985, 1991) proposes that firms can occupy various competitive positions to mitigate industry-level factors constraining profitability. He identifies three generic business strategies—overall cost leadership, differentiation, and focus—to establish and maintain these competitive positions (Porter 1980). As White (1986) explains when comparing the two "pure" strategies of cost leadership and differentiation, differentiated firms aim to offer consumers a unique product, typically produced at higher cost, in exchange for a higher price. In contrast, the strategy for cost leaders is to drive greater sales volume through lower prices.

To establish and maintain these positions, firms must possess a competitive advantage in producing at low cost or in commanding a premium price for their product (Porter 1991). In addition, any new entrant must be able to persuade stakeholders, including potential customers, that it will honor its promises and not behave opportunistically. These two requirements map to the hidden information and hidden action problem in economics (Arrow 1984). Along these dimensions, we argue that there are at least two key differences between the low cost and differentiated positions that will influence the impact of eponymy. First, in comparison to low-end segments, high-end segments are more likely to require that the producer have unique skills. Second, the outputs in high-end segments are harder to verify, increasing the scope for opportunistic behavior.

For example, in the premium segments of industries such as architecture, clothing and accessories, consulting, or hairstyling, the presumed skill of the particular service provider can be critical to acquiring new business. In these instances, the customer may choose to patronize a business because he believes that the entrepreneur will be delivering the service himself. Marvin Bower, an early employee of

[3] In our dataset of approximately 180,000 firms, 13% are named after the owner. For a partial and unverified list of firms named after people see http://en.wikipedia.org/wiki/List_of_companies_named_after_people (Last accessed July 14th, 2012). Note that not all of these firms are eponymous ventures.

the eponymous McKinsey & Company, remarked that clients were known to say "We assume Mr. McKinsey will be working on this study personally."[4] An eponymous venture suggests that the skilled entrepreneur will be deeply involved in the production of the good or provision of the service.

Similarly, consider the differences between purchasing a shirt at a boutique versus a low-cost retailer. It is far easier to observe the salient attributes of a shirt sold at the low-cost retailer, given its low price. On the other hand, the boutique is asking the consumer to pay much more for attributes that are much harder to observe, perhaps the quality of materials or alignment with the latest fashion trends. In this case, the scope for opportunistic behavior is much greater.

These differences between competitive positions imply that eponymy will be most useful for communicating unique skills and commitment in the provision of differentiated goods or services. Thus, we expect eponymous entrepreneurs to be more profitable than other firms due to higher margins gained from differentiation. Furthermore, if our explanations for this result are correct, eponymy will be most important in industries where the goods and services provided require a high degree of individual discretion, the completion of complex tasks using intangible knowledge, and "creative flair" (Porter 1980:41). In industries where differentiation is difficult and tasks are routine, the impact of eponymy is likely to be minimal.

In addition, various factors that impact the entrepreneur's ability to communicate his idiosyncratic skills will also influence our predictions. For example, in industries where there is little variation in firm performance, eponymy should matter less. In contrast, in industries where labor turnover is generally high, the assurances by the entrepreneur that he will personally provide the good or service should matter more since employees come and go rapidly. Furthermore, variation in the commonality of names, as we discuss in our empirical section, will also impact the value of eponymy. Those with rare names should find fewer barriers to using eponymy to communicate unique skills and demonstrate a commitment not to behave opportunistically.

Still, even in the most favorable conditions, there are clear trade-offs involved when the owner of the business is so closely tied to the firm. Marvin Bower of McKinsey & Company explicitly chose not to put his own name on the firm after the death of Mr. McKinsey. He noted that "I didn't want anybody dictating to me how I was going to spend my time. So I had no interest in calling it Bower & Co., or even McKinsey-Bower. I wanted my freedom."[5]

The notion that an eponymous entrepreneur might have to spend disproportionate time on particular projects to meet client expectations reveals a key trade-off. Differentiated positions often imply a trade-off between sales volume and margins. The greater the extent to which clients expect the

[4] Huey, John. "How McKinsey Does It," Fortune, November 1st, 1993.
[5] Huey, John. "How McKinsey Does It," Fortune, November 1st, 1993.

entrepreneur to directly perform the service or make the product themselves, the more difficult it will be to initially scale the business. Moreover, it may be more difficult to attract talented and ambitious employees who are looking to build their own reputation within the firm. Of course, this is particularly true in the early years of a business, before the name itself evolves into a brand that customers recognize, as McKinsey & Company would later become. The upshot is that our prediction implies that eponymous ventures will not simply have higher profitability but will also grow more slowly.

This trade-off between communicating unique skills on one hand while risking slower growth on the other illustrates why firms choose different strategies. We can readily observe these differences in businesses as diverse as management consulting, populated by eponymous firms like McKinsey and Bain along with competitors such as the Boston Consulting Group, to hairdressing, where boutique firms are often named after the founder but other firms like "Cost Cutters" or "The Hair Cuttery" build their business through high-volume, low-margin service.

Thus, we do not expect all firms to be eponymous. Prior work indicates that there can be multiple rent-producing positions in the same industry (Porter, 1980). Moreover, recent work in economics has demonstrated that in incomplete markets, firms can endogenously segment into market positions to respond to customers, without signaling and screening mechanisms (Kim, forthcoming). It is important to note that our predictions do not require eponymy to be a costly signal in the spirit of Spence (1973, 1974) or necessitate a direct causal link between eponymy and specific performance outcomes. Instead, our arguments provide insights into one way new firms can establish competitive positions in their industry.

There are alternative explanations for an observed relationship between eponymous entrepreneurs and various performance outcomes. Nearly all of these alternatives can be viewed as concerns about unobserved heterogeneity among entrepreneurs. For example, an egotistical individual or a family business may be more likely to name firms after themselves. If egotistical entrepreneurs and family businesses experience superior performance, we risk inferring that the name is driving performance rather than these other factors. However, this explanation, and others like it, would not imply systematically slower growth for eponymous ventures as we predict above. Below, we will comprehensively address these concerns and demonstrate a pattern of results that is consistent with our arguments.

3. Data

We use data from Amadeus, a database maintained by Bureau van Dijk (BvD), which contains ownership, management, and financial information for European firms. BvD obtains its data from regulatory filings, third-party vendors, and its own proprietary sources. Amadeus includes both private and public firms in its data collection, allowing for an in-depth examination of new firms. It also contains

detailed ownership information, including the names of each shareholder, the number and type of shares held, and information on the board of directors and management of each firm.

We build our base sample from firms located in Western European countries. 47% of our sample is from France, 16% from Great Britain, and 34% from Spain. German firms are excluded from our sample because small German firms are not required to disclose balance sheet information, making it impossible to calculate financial performance outcomes such as return on assets (ROA).[6] We retain only those firms for which we have ownership information, and we exclude firms for which we are unable to identify at least 90% of reported shareholders and those whose annual sales are not reported. Our final estimation sample includes 182,582 firms and a total of 1,001,267 firm-year observations for the period 1997–2006.

The main variable of interest in this paper is whether an entrepreneur names the firm after himself. To code this variable, we need to check for matches in our dataset between the name of the firm's owners and the name of the firm. For each firm, we consider only the majority owners as indicated by equity shares. To determine whether it is an eponymous venture, we use a string matching algorithm that matches last name of the majority owner to the firm name. The automated process compares both names, assigns a matching score, and identifies matches if the matching score meets a certain threshold. [7]

To refine our match, we compared the normalized matching scores across different thresholds. After extensive manual checks and iteration we chose the optimal threshold of 0.68, as it produced the most accurate matches. This matching process goes beyond simple direct matching and can identify last names that are used in combination with other words or that are partially embedded with other words. For instance, the algorithm we employ would classify a match whether the last name "Johnson" appears in "Johnson Consulting" or "Johnsontown." We create a dummy for owner name that receives the value of one for firms where the name of owner is included in the name of the firm (eponymous ventures), and zero for all other firms. In our discussion of the results, we refer to these firms as eponymous ventures and the coefficient of interest is labeled "eponymous." 13% of the firms in our sample share their name with their owner.

Next, we present two examples of eponymous entrepreneurs from our dataset to provide more context for our empirical tests. The first is Pianegonda SRL (http://www.francopianegonda.net/en/), a jewelry company founded by eponymous entrepreneur Franco Pianegonda. The company describes its mission as creating "art for a lifestyle of natural luxury." The company website features the founder

[6] If we examine profit margin (profits over sales) instead of ROA, our results hold even when including German firms. However, because ROA is a more widely used performance measure in the literature, we choose to exclude German firms from the estimation sample.

[7] The matching score is obtained by first calculating the Levenshtein distance score between two strings or vectors of strings for each pair of affiliate names, which is defined as the minimum number of insertions, deletions, and substitutions necessary to change one string into the other.

prominently and emphasizes his unique skills and creativity. The second firm is Sutcliffe Play (www.sutcliffeplay.co.uk), a designer of children's playground equipment chaired by Robin Sutcliffe. While this corporate website does not feature the eponymous entrepreneur as prominently, it describes the business as being driven by "creativity, innovation and conviction." Most interestingly, by using the moniker "the experts in play," this firm appears to be communicating a message about unique skills. While representing only two firms out of more than 180,000 in our study, these corporate websites do demonstrate how we believe eponymy is related to competitive positioning. While many firms probably use similar words to characterize their businesses, we expect that eponymous firms will be more likely to occupy differentiated competitive positions, as measures by profitability and sales. Below, we explore this prediction more systematically.

3.1. Descriptive Statistics

Table 1 presents summary statistics for the main variables in our sample. The average firm has an ROA (profits over assets) of 0.14 (a median of 0.11) and profit margin (profits over sales) of 0.08 (a median of 0.06), grows at an annual rate of 28% (a median of 11%), generates $2.4 million in annual sales (a median of $0.8 million), holds $1.6 million in assets (a median of $0.4 million), is 9 years old (a median of 8), and has 18 employees (a median of 7).

Table 2 presents mean comparison tests for differences in main characteristics between eponymous ventures and other companies. Eponymous ventures appear to have higher returns on assets, grow more slowly, and are more likely to survive. There are no substantial differences in age, assets or number of employees between the two types of firms.

Firms in our sample are drawn from a wide industry distribution. For ease of presentation, we aggregate the three-digit SIC codes to broad industry-level categories. Details on the classification of SIC codes to main industry categories are available upon request. Table 3 presents the distribution of firms by industry. The most represented industries in our sample are construction contracting (31,461 firms) and food stores and restaurants (17,835 firms). Other common industries include professional and personal services (16,593 firms), metal (7,297 firms), and general retail (9,072 firms). 25% of the firms operate in the services industries, and the remaining firms operate in manufacturing. The share of eponymous firms varies substantially across industries, from a high of 21.5% in heavy construction, to a low of 6.6% in the hotel industry. In econometric specifications we pool together firms from different industries, but due to the high variation in the firm types by industry, we always control for three-digit SIC codes. In addition, we estimate our specifications separately for different industry grouping to identify those industries where the name-performance relationship is the strongest.

4. Econometric Specifications

Our main interest is in the relationship between eponymous ventures and ROA, profit margin, sales growth, and survival. Sales growth and ROA are common performance variables in the finance literature and also in studies of competitive positioning (see, for example, White 1986). We estimate the following specification for the relationship between eponymous ventures and ROA (*i* indexes firms and *t* index years):

$$ROA_{it} = \alpha_1 \ln Sales_{it-1} + \alpha_2 Age_{it} + \alpha_3 Eponymous_i + \eta_i + \tau_t + c_c + \varepsilon_{it} \quad (4.1)$$

ROA is return on assets, defined as EBITDA over total assets. Sales is annual sales lagged by one period. Age is years from date of incorporation and is included to control for firm-life-cycle effects. η, τ, and *c* are complete sets of three-digit SIC codes, country, and year dummies. ε is an *iid* error term. Standard errors are clustered by firms. Our main interest is the coefficients α_3. Consistent with the view that eponymy communicates differentiated competitive positioning, we expect $\alpha_3 > 0$.

We also estimate specification (4.1) for a secondary measure of firm profitability: profit margin, which is defined as profits over sales (EBITDA over sales).

Next, we estimate the equivalent specification for sales growth:

$$\Delta \ln(Sales)_{it} = \beta_1 \ln Sales_{it-1} + \beta_2 Age_{it} + \beta_3 Eponymous_i + \eta_i + \tau_t + c_c + \varepsilon_{it} \quad (4.2)$$

Δln(Sales) is the difference between ln(Sales) in year *t* and in year *t-1*. Again, our interest is in the coefficient β_3. Consistent with the view that eponymy is communicates differentiated competitive positioning, we expect $\beta_3 < 0$.

In addition, we explore the relationship between eponymy and survival. While the prior literature on positioning yields no clear prediction on which competitive positions (differentiated versus cost leadership) will be associated with greater rates of survival, we consider this outcome here both for completeness and because of its importance in the literature on entrepreneurship. We estimate the following survival equation:

$$\Pr(Survival_{it} = 1) = \gamma_1 \ln Sales_{it-1} + \gamma_2 Age_{it} + \gamma_3 Eponymous_i + \eta_i + \tau_t + c_c + \varepsilon_{it} \quad (4.3)$$

As a robustness check, we experiment with different measures of survival. We create three different variables that capture survival likelihood: one-year, three-year, and five-year survival dummies. These variables receive the value of unity if we observe the firm in each different year cohorts (for example, one-year survival receives the value of unity for firms that are observed in the data for two consecutive periods and zero for firms that drop out of the sample from year t to year t+1). In addition to

the extreme event of dropping out of the sample, we also experiment with an alternative survival measure where we classify a firm as "dying" if its sales drop by more than 30 percent in a single year (the bottom 5% of the sales growth distribution). For simplicity and ease of interpretation we estimate all survival specifications with a linear probability model. All results are robust to alternative estimation models such as Probit or Logit.

4.1. Empirical Strategy and Interpreting Empirical Results

An important issue in our analysis is how to interpret the eponymy-performance relationship. There are at least two competing views. We argue that eponymy is used to communicate differentiated market position to stakeholders, and that higher ROA, increased chance of survival, and slower growth are consistent with this competitive position. Alternatively, a different interpretation of the eponymy-performance relationship relates to omitted variables which are correlated both with naming the firm and performance. For example, suppose that the initial quality of the venture is observed by both the owner and outside stakeholders, but it is not observed by the econometrician. Further suppose that owners transfer their names only to high-quality ventures, so as to associate themselves only with successful projects. If this phenomenon were common, it would imply that finding a positive relationship between eponymy and firm performance may simply be explained by heterogeneity in initial venture quality, which we are not able to properly control for. However, we argue that this interpretation is not consistent with our results for several reasons. First, we argue for and document a trade-off to eponymy, rather than asserting that eponymy dominates other naming strategies. While unobserved quality may explain why eponymy ventures generate higher ROA than non-eponymy ventures, it does not explain why eponymy ventures also grow more slowly. Moreover, the performance differences between the different firm types are strong only for very young firms, as detailed below. As firms mature, we find the performance differences significantly decline. However, if eponymy simply captures an unobserved quality "fixed effect," we would expect performance differences to persist as firms age.

To further address potential alternative explanations, we also explore how the eponymy-performance relationship varies across two exogenous dimensions: how common the owner name is and industry characteristics. Our competitive positioning argument implies that if the connection between the owner and the firm is hampered due by a very common name, the relationship between eponymy and performance should be weaker. Once again, unobserved heterogeneity arguments would not predict any systematic variation in the eponymy-performance relationship by owner name commonality. Similarly, our argument relies on the entrepreneur having unique skills and a competitive advantage and would thus suggest a stronger relationship between eponymy and firm performance in industries where creativity is more important. The alternative explanations which rely on unobserved heterogeneity would imply no industry variation. Building on this logic, our empirical strategy will be to first document the relationship

between eponymy and performance outcomes and then perform numerous robustness checks to assess whether the pattern of results is more consistent with our argument or alternative explanations.

5. Estimation Results

5.1. Baseline Results

Table 4 presents the estimation results for the relationship between eponymy and ROA. The general pattern of results confirms the non-parametric pattern shown in Table 2. Eponymous ventures generate on average 0.015 in higher ROA, which account for 11% of the sample mean (column 1). Computed at the sample average, this difference in ROA is associated with $24,000 additional profits, which account for 15% of average profits.

Columns 2–9 present the breakdown of the eponymy effect by industry. First, columns 2 and 3 split the sample by service and manufacturing industries. Eponymy is more strongly related to ROA in services (coefficient estimates of 0.019 versus 0.005), which is consistent with the notion that communicating unique skills is more important in industries where individual discretion and personal reputation matter more.

Next, if eponymy is related for performance because it communicates information about owner skills, we would expect the relationship between names and ROA to be especially strong in industries where tasks are on average less routine and more complex. To test this prediction, we collect data on the complexity of tasks at the industry level. We then follow Costinot et al. (2009) and rank industries according to their level of task routineness. We use data from the U.S. Department of Labor's Occupational Information Network (O*NET), and measure the level of task routineness by the extent to which the task involves "making decisions and solving problems." The exact formulation of industry routine is $Routine = 1 - \sum_{\tau} \alpha(\tau, t) P(\tau)$, where α(τ,t) is employment share of six-digit occupation τ in task *t*, and *P(t)* is the score for "making decisions and solving problems" in O*NET. Columns 4 and 5 split the sample by what we call "high artisan" and "low artisan" industries. Industries are classified as high artisan if their index of task routineness falls in the lowest quartile of the industry routine distribution, and as low artisan if their measure of task routineness is at the highest industry routine quartile. The results are consistent with our theory. We find a much larger eponymy effect in the high artisan industries (0.023) than in the low artisan industries (0.012).

Third, columns 6–9 provide examples of specific services industries. There is a substantial variation even within the services industries. Eponymy is not related to ROA in food stores and restaurants—a dominant industry in our sample—but is strongly related to ROA in construction

engineering and professional services. Table 5 presents very similar patterns using profit margin as the dependent variable.

Table 6 presents the estimation results for sales growth. We find a strong negative effect of eponymy on growth. As shown in column 1, the coefficient estimate on the eponymous dummy is -0.034 (a standard error of 0.002). This estimate implies a lower growth rate of 12% relative to the sample average growth rate. The negative relationship is stronger for services than for manufacturing industries, but there is no difference in the effect between high and low artisan industries. Similar to ROA, the eponymy effect is effectively muted in food stores and restaurants, but is highly evident in heavy construction engineering and professional services.

Thus far, our evidence suggests that eponymy is associated with a trade-off of higher short-term profitability and lower growth rates. This trade-off is more apparent in industries where owner skills and reputation presumably plays a more important role. We proceed to further investigate the conditions under which this trade-off is more pronounced and assess whether the results are consistent with our theoretical arguments.

Table 7 presents the estimation results on eponymy and firm survival. The pattern of results shows a positive and significant relationship between survival and eponymy. In columns 1 to 3 the dependent variable is a dummy variable for whether the firm survives. We use three survival lags: one-year, three-year, and five-year. In all cases the estimate on the coefficient on the eponymous dummy is positive and significant. However, the effect is not large. In the three-year survival specification model, for example, the coefficient estimate on eponymous is only 0.012, relative to a sample average survival rate of 0.76. This estimate means that eponymous firms are associated with only 2% higher survival probability than other firms, evaluated at the sample mean.

In columns 4 and 5 we use a less restrictive definition of exit. Instead of examining whether a firm dropped from the sample, we create a dummy variable that receives the value of unity for firms that experienced a substantial drop in sales. Our cutoff of extreme drop in sales is a negative growth rate of 30%, which is the 10 percentile value of the annual firm growth distribution. We use annual and biannual measures for an extreme drop in sales. In both cases we find that eponymous firms are less likely to experience extreme sales drop; however, the implied effects are quite small.

In columns 6 to 9 we investigate the robustness of the survival results across industries. We do not find any meaningful variation between manufacturing and service industries (columns 6 and 7), or between high and low artisan industries (columns 8 and 9).

5.2. Firm Life Cycle

Our arguments imply that communicating unique skills and competitive advantage should matter much more early in the firm's life. As discussed above, young firms are typically associated with high

uncertainty about future performance and survival, and lack strong reputations. Examining how the eponymy effect varies by firm age is also important for testing whether the observed differences in ROA between eponymous ventures and other firms are driven by unobserved quality differences. As discussed above, if unobserved heterogeneity is driving our results, we would not expect our results to weaken as the firm grows older. Table 8 examines how the relationships between eponymy and ROA, growth, and survival vary by firm age.

We find a striking decline in the effect of eponymy on firm performance. Columns 1 to 5 present the estimation results for ROA. Breaking up the sample by age quartiles shows a clear pattern of a eponymy name effect. For firms below 5 years of age (column 1, 25th percentile of the sample age distribution), the coefficient estimate on name dummy is 0.033 (a standard error of 0.002). This estimate drops to 0.004 (a standard error of 0.001) for firms above 12 years of age (column 4). Including an interaction term between name and age yields the same pattern (column 5). The coefficient estimate on the interaction term between eponymy and age is negative and is highly significant. This estimate implies that the name effect completely disappears when the firm reaches the age of 16 (0.031/0.002).

The same pattern of results holds for growth, as shown in columns 6 to 10. The coefficient estimate on name for firms below 5 years of age is -0.078, and it is only -0.011 for firms above 12 years of age. Adding an interaction term between eponymy and age (column 10) shows that the negative effect of eponymy on growth completely disappears as the firm reaches the age of 12.

Next, we report the age effect for survival. We find the same pattern of a declining name effect. For very young firms (column 11), the coefficient estimate for eponymy is 0.020. This estimate drops to zero for firms of age 12 or above (column 14). The same pattern holds when we include an interaction between eponymy and age (column 15). In sum, the pattern of results is consistent with our argument, which implies that the eponymy-performance relationship is most likely to hold for young firms.

It is important to emphasize that our firm age analysis is based on comparing the difference in ROA and growth between eponymous ventures and other firms at different firm ages. An alternative explanation for our results is that the convergence in performance between eponymous firms and other firms is driven by different exit patterns. If low-quality non-eponymous firms are more likely to exit the sample than low-quality eponymous firms, the same age effects would persist. However, while eponymous firms are more likely to survive than other firms, the differences in survival rates are very small (Table 7), and thus survival differences between the two types of firms are not likely to driving the observed age effects.

5.3. Using Exogenous Variation to Interpret our Results

To further test the competitive positioning view of eponymy, we explore how the relationship between eponymy with ROA and growth varies by industry conditions. We identify industry

characteristics where, consistent with the theory of competitive positioning, we expect the eponymy-performance relationship to be especially strong. Second, we also exploit variation in the name commonality of owners. Consistent with the competitive positioning interpretation of our results, we expect the eponymy-performance relationship to be stronger where owner name is less common. In these cases, communicating idiosyncratic skills and competitive advantage through eponymy would be easier and more likely to be effective. If exogenous industry characteristics and the commonality of name impact our results in the way we predict, our interpretation of the eponymy-performance relationship will be strengthened relative to the alternative explanations discussed above.

5.3.1. Industry characteristics

First, we investigate how the relationship between eponymy with ROA and growth varies by industry conditions where we expect unique skills to be more important for capturing the differentiated or high-end "boutique" market position. These industry characteristics include industry growth dispersion, Tobin's Q, and labor turnover. Table 9 presents the estimation results.

The first industry measure that we examine is labor productivity dispersion. We expect owner skills to matter more in industries where there is a larger variation in ex-post firm performance. In such industries, firm idiosyncratic capabilities are likely to matter more (Acemoglu et al. 2007). Thus, if eponymy is used to communicate high-end skills, we expect its relationship with ROA and growth to be stronger in industries where the variation in firm ex-post performance is greater. In other words, in industries where firms are more homogenous (that is, there is only limited variation in firm performance), the scope for differentiation is more limited—thus using the owner's name to capture a "boutique" market position should be less effective. We measure industry growth dispersion as the difference in labor productivity growth between the highest and lowest growing firms. We construct two versions of this measure: difference between the 99^{th} and 1^{st} percentile of labor productivity growth, and difference between the 95^{th} and 5^{th} percentile. We use the complete Amadeus database over the years 1996–2006 to compute these measures.

Columns 1 and 2, and 5 and 6, present the estimation results for industry growth dispersion. The results support our competitive positioning argument. Columns 1 and 2 report results from estimations where ROA is the dependent variable. As expected, the interaction between industry dispersion and eponymous is positive and highly significant. Based on the estimate from column 1, moving from the 25^{th} to the 75^{th} percentile of dispersion raises the coefficient estimate on eponymous from 0.013 to 0.019. The same magnitude holds for using the estimates from column 2. A similar pattern of results holds for sales growth, where the coefficient estimates of the interaction terms between industry dispersion and eponymous are negative and highly significant.

The next industry characteristic we examine is the average ratio between firm value and the book value of assets—Tobin's Q. If eponymy is used to communicate intangible skills, such as talent or artisanal ability, we would expect the relationship between eponymy and performance to be especially strong in industries where intangible assets represent a larger part of firm value—i.e., industries where Tobin's Q is higher.

Firm value is calculated as the sum of the values of common stock, preferred stock, and total debt net of current assets. The book value of capital includes net plant, property and equipment, inventories, investments in unconsolidated subsidiaries, and intangibles other than R&D. Tobin's Q is calculated using American Compustat firms over the period 1980–1996 (which is prior our estimation sample, 1997–2006).

Columns 3 and 7 present the estimation results for Tobin's Q. The results strongly support the competitive positioning view. The interaction between eponymy and Tobin's Q is positive and significant in the ROA specification, and is negative and significant in the sales growth specification. The effects are large. For instance, moving from the 25^{th} to the 75^{th} percentile of Tobin's Q raises the coefficient estimate on eponymous in the ROA specification from 0.012 to 0.018.

Our last industry measure is labor turnover. If eponymy is effective in communicating competitive advantage and suggesting that the provision of service or product will be conducted by the skilled individual, we expect this effect to be largest in industries where labor turnover is high. In these industries, the individual that performs any given task is less likely to stay with the firm compared to other industries. In such cases, acquiring unique skills and establishing a differentiated competitive position is likely to be more difficult, which should make eponymy matter more.

To test this argument, we construct the labor turnover measure for each industry using annual establishment-level employment data from the U.S. Bureau of Labor Statistics' Current Employment Statistics Survey (1977–2003). Following Autor et al. (2007), we calculate firm-level labor turnover rate as the average of the absolute change in annual employment at the firm divided by the average firm employment across two years. The industry labor turnover measure is the average of the firm turnover rate in each two-digit SIC industry. Industries with highest labor turnover include Apparel (SIC 23) with 0.087 and Transportation Services (SIC 42) with 0.079; industries ranked with lowest turnover rates include Paper Products (SIC 26) with 0.019 and Printing and Publishing (SIC 27) with 0.020.

Columns 4 and 8 present the estimation results, which are consistent with our expectation that the relationship between eponymy and performance is stronger in industries with high labor turnover. The coefficient estimate on the interaction term between labor turnover and eponymy is positive and significant in the ROA specification, and is negative and significant in the growth specification. The

effects are very large. For instance, in the ROA specification, moving from the 25th percentile to the 75th percentile of industry labor turnover raises the coefficient estimate on eponymous from 0.012 to 0.026.

5.3.2. Name commonality

Thus far we have established a set of robust associations between eponymy and firm performance. In this section, we take an additional step to test our proposed mechanism. Our strategy is to examine how the eponymy-performance relationship varies in relation to how common the name of the owner is. Presumably, the prevalence of a given name is exogenous to the performance of firms. As the name becomes more common, it should become more difficult for an owner to communicate his skills to capture a differentiated market position. To explore this idea, for each owner we compute the ratio between the number of firm owners that have the same last name in the same city where the firm is registered and the total number of owners in the city. A higher ratio implies that the name is more common.

Table 10 presents the estimation results. The results are consistent with our interpretation of eponymy: the relationship between eponymy and performance (ROA, growth, and survival) declines as the owner name becomes more common. Columns 1 to 5 present the results for ROA. Column 1 includes only firms with owners who have a very rare name (lowest 5% of the name frequency distribution). The coefficient estimate on eponymous is large and significant for this firm sample (0.037). In column 2, we include firms with highly common owner names (highest 5% of the name frequency distribution). There is no effect of eponymy for this set of firms (a coefficient estimate of 0.003). This result is consistent with the idea that as the association between the identity of owner and firm weakens, the benefits of eponymy are effectively eliminated. In columns 3 to 5 we further divide the sample by the commonality of owner names. As the owner name becomes more common, the eponymous-ROA performance weakens.

In columns 6 to 10 we repeat the same analysis for growth. We find the same pattern of results. As owner name becomes more common, the negative relationship between eponymy and growth weakens. Finally, in columns 11 to 15 we repeat the analysis for the firm three-year survival rate and the results support the same general conclusion.

Other mechanisms may explain why the eponymy-performance relationship weakens as the name of the owner becomes more common. For instance, name commonality may capture the size of the city where the firm operates. An individual name is likely to be more common in small cities where there are fewer firm owners. If firms in smaller cities outperform firms in larger cities in terms of ROA, and grow more slowly and are more likely to survive, we may be confounding name commonality with city size effects. We perform three tests to examine this concern. First, we include a complete set of city dummies and repeat the estimations presented in Table 9. The same pattern of results continues to hold, as it does when controlling for city fixed-effects. Second, to check the sensitivity of our results to the unit of

aggregation, we also calculate owner name frequency at the region (one-digit NUTS code) and country levels. The same pattern of results continues to hold. Third, we repeat the above estimations separately for regions with high and low GDP, population, and size. By splitting the sample by region size, we ensure that our estimates are not simply picking up differences between large and small regions in the pooled regressions. The same pattern of results continues to hold across all of these robustness checks.

An additional concern relates to owners from minority ethnic groups. Minority owners are likely to have relatively rare names in their region, almost by definition. Thus, our results exploiting variation in how common names are might be confounded by minority business patterns. To test this concern we collect new data on the ethnicity of owners by matching owners' last names to a specialized database owned by OriginsInfo (a subsidiary of Experian). OriginsInfo relies on a database that can identify the likely cultural origin of over 1,800,000 family names and 700,000 personal names. Using this data, we attach a unique ethnic background to each owner in our sample based on his last name. We then classify owners as ethnic minorities in three different ways: (1) if their ethnicity is different from the country where the firm is incorporated (for example, an owner of Italian ethnicity in France); (2) if their ethnicity is not Western European; and (3) if the owner is South Asian or Chinese. Our results are not sensitive to excluding minority owners, as in all cases the same pattern of results continues to hold. We do not include a table with these results but it is available upon request.

5.4. Additional Robustness Checks

5.4.1. Non-parametric estimation

We performed other robustness checks to comprehensively address alternative explanations, but do not report the complete results in this manuscript. However, the tables are available upon request. First, we conducted a two-stage propensity score matching estimation. The estimation is cross-sectional and includes the most recent year information available for each firm. In the first stage, the dependent variable is a dummy for eponymous venture. The first stage specification includes sales, age, and a complete set of dummies for three-digit SIC industry code, and country. The non-parametric estimates are higher (in absolute value) than the parametric estimates. For example, the non-parametric estimate of the effect of names on ROA is 0.023, as compared to the parametric estimate of 0.015 (Table 4, column 1). For growth, the non-parametric name effect is -0.046, as compared to a parametric estimate of -0.034. We also examine how the non-parametric estimates vary by name commonality and find the same pattern of results as in the parametric specifications.

5.4.2. Family businesses

Some of the relationships documented in this paper could be related to variation in the ownership structure of firms (Belenzon & Zarutskie 2012). First, firms with single owners might be more likely to be

eponymous than firms with multiple owners, and ownership structure might impact performance. Next, eponymy is likely to be more common in firms that are owned by related owners, relative to firms that are owned by unrelated owners. If family-owned firms differ from non-family firms across the dimensions documented here, we may incorrectly attribute an ownership effect to eponymy. To test the ownership structure concern, we also estimated the eponymy-performance relationship separately for different ownership structures. The coefficient estimate on eponymous is effectively the same for the two subsamples (0.016 and 0.015). We also considered only multi-owner firms and distinguished between owners that are family-related and owners that are not. Again, the results are very similar for the two subsamples.

5.4.3. Other naming strategies

While we focus on one binary naming strategy (eponymous or not), there could be other naming strategies which can be used to establish and maintain competitive positions. We concentrate on names that might be related to quality or low cost. The most common quality-related terms in firm names include: “luxury”, “best”, “quality”, “top”, “premier”, and “superior”. For low cost, the most common terms in firm names include: “cheap”, “budget”, “economy”, “value”, “discount”, and “price”. We translated these terms into the native languages of each country in our data and cross checked the list against every firm name in our data. 6,175 firms include a quality–related term in their name and 1,046 firms include a low cost-related term in their name.

The results strongly show that all of these firms, even those that include quality-related terms in their name, appear to be positioned in the lower-end of the market. We find that such firms have lower ROA and profit margins compared to eponymous firms, and grow faster. These findings suggest that eponymy may have unique attributes related to the establishment and maintenance of differentiated competitive positions. As expected, firm names that communicate “low cost” are indeed associated with low-profit, high-growth firms, consistent with a cost leadership position. However, we find the same result for firms that communicate “quality” in their name as well. Future research could explore additional naming strategies and their relationship to various competitive positions more systematically.

5.4.4. Name changes and founding owner

Another complexity in our empirical method involves the potential of firm name changes. The ownership and firm name data we use are cross-sectional for 2007, but the estimation covers the years 1997–2006. This distinction could be problematic if a firm changed its name prior to 2006, because we would assign the 2006 name to the complete sample period. We check the sensitivity of our results to this potential measurement error in owner names by using historical cross-sectional snap-shots of firm names for the period 1999–2006. These historical data are found in past publications of Amadeus, which we

acquired separately. The results are not sensitive to name changes. Furthermore, because firms may have changed their names prior to 1999, we restrict the estimation sample only to firms that were incorporated in or after 1999 and did not change their name from their year of incorporation. The results continue to hold.

5.4.5. Length of firm name

An additional robustness check relates to the length of firm name and how this might be interacting with eponymy and performance. Perhaps eponymous firm names are systematically longer or shorter and the length of names is related to performance. To test the robustness of our results to firm name length, we counted the number of words that are included in the name of each firm. This number ranges from 1 to 7, with a median of 3 and an average of 3.1 words. The results do not appear to vary by firm name length. For firms whose names include 3 or fewer words, the coefficient estimate on eponymous is 0.014 (a standard error of 0.001). For firms whose names include more than 3 words, the coefficient estimate is 0.020 (a standard error of 0.003).

6. Conclusion

A burgeoning academic literature is developing insights for new venture strategy. Prior work has found that new venture survival and performance are hamstrung by incomplete information and the liability of newness. We propose the name of the firm as one mechanism for entrepreneurs to communicate unique skills and demonstrate a commitment not to act opportunistically, supporting a differentiated competitive position. This strategy will be most useful in industries where discretion and creativity are important and where there is significant variation in firm performance. However, eponymous entrepreneurs will not scale their ventures as quickly because artisanal and complex production tasks are more difficult to delegate than more routine tasks. As a result, eponymous entrepreneurs will be more profitable, but grow more slowly than other ventures.

This paper suggests several avenues for future research and also has important limitations. First, future work should consider the influence of pre-founding experience on naming strategies. For example, serial entrepreneurs who have already used their name once might be forced to create a new name for the next business. Similar to other papers on competitive positioning, we do not explore the origins of the unique skills possessed by entrepreneurs. Exploring pre-founding experience might provide useful insights on the origins of these skills (e.g., Chatterji 2009). In addition, while we focus much of our analysis on young firms and carefully consider the role of family business, there may be other kinds of existing reputations that we cannot observe in our data.

Finally, while we have presented evidence consistent with the notion that the name of the firm is communicating valuable information to a broad group of stakeholders, future work can also more comprehensively consider who exactly the intended recipient of this information is. In some industries, such as professional services, the intended audience will likely be clients and potential employees. In other industries, such as biotechnology, the intended audience could be potential partners and investors. In addition, our large dataset covers a wide variety of industries, some which are likely characterized by more traditional "mom-and-pop" businesses and others that contain "high-growth" entrepreneurs. While we use differences in firm age to focus our arguments on eponymous "entrepreneurs," there is still much to learn about eponymous ventures as they grow older. Follow-up research could focus more narrowly on a single industry and shed light on how the arguments in this paper apply across diverse kinds of new businesses at different stages of their life cycle.

Our findings make key contributions to the literature on entrepreneurship and new venture strategy. First, we build on insights from the economics, sociology and strategic management literatures to explain one way that new ventures can establish and maintain competitive positions. While scholars have documented examples of firms like Toyota and Samsung entering at the low end of the market (Greenstein 2005), we have far fewer examples of how new entrants can establish and maintain differentiated market positions, especially when they do not have existing reputations. Next, our findings are relevant for other important papers in strategy and entrepreneurship including a seminal entrepreneurship paper by Jovanovic (1982). The Jovanovic model predicts that as new firms learn about the quality of their venture, they adjust their growth and survival decisions. Firms with positive-quality "draws" are more likely to survive and grow faster, while firms with negative-quality "draws" grow more slowly and are more likely to fail. Our argument is that there may be trade-offs between survival and growth and that pure selection arguments might not explain all aspects of entrepreneurial performance. Finally, while considerable work has aimed to explore the causal impact of strategic choices by entrepreneurs on performance, we adopt a distinct but related approach in this paper. We contend that eponymy enables the competitive position which accounts for the performance patterns in our data. This general approach to investigating entrepreneurial strategy might also be useful in future studies.

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Table 1. Summary Statistics

Variable	Obs.	Firms	Mean	Std. Dev.	*Distribution* 10th	50th	90th
Dummy for eponymous	932,553	182,582	0.128	0.334	0	0	1
Returns on Assets	932,553	182,582	0.141	0.250	-0.001	0.111	0.339
Profit margin	932,502	182,578	0.076	0.158	-0.001	0.057	0.199
Sales growth	932,553	182,582	0.278	0.767	-0.198	0.116	0.741
Dummy for 1-year survival	912,276	180,613	0.840	0.366	0	1	1
Dummy for 3-year survival	625,193	149,177	0.761	0.426	0	1	1
Dummy for 5-year survival	360,876	114,432	0.680	0.466	0	1	1
Sales ($,'000)	932,553	182,582	2,390	6,286	192	767	4,615
Assets ($,'000)	932,553	182,582	1,575	8,220	86	405	2,820
EBITDA ($,'000)	932,553	182,582	157	994	-1	47	325
Firm age	932,553	182,582	9	5.1	2	8	16
Number of employees	547,909	140,033	18	55	1	7	34

Notes: This table provides summary statistics for the main firm-level variables used in the econometric analysis. *Return on Assets* is *EBITDA* over *Assets*; *Profit Margin* is *EBITDA* over *Sale*. *Firm age* is years from date of incorporation.

Table 2. Eponymous *vs.* Non-Eponymous Firm Characteristics

		Eponymous				Non-Eponymous			
Variable	Eponymous minus non-Eponymous	Obs.	Mean	Median	Std. Dev.	Obs.	Mean	Median	Std. Dev.
Returns on Assets	0.010**	119,034	0.150	0.118	0.221	813,519	0.140	0.110	0.254
Sales growth	-0.092**	119,034	0.198	0.098	0.591	813,519	0.290	0.119	0.789
Dummy for 3-year survival	0.036**	81,558	0.792	1	0.406	543,635	0.756	1	0.429
Firm age	0.8**	119,034	9.1	9	5.3	813,519	8.4	7	5.1
Sales ($,'000)	336**	119,034	2,683	763	7,143	813,519	2,347	767	6,149
Assets ($,'000)	21.6	119,034	1,594	396	5,748	813,519	1,572	407	8,522
Number of employees	0.4	69,360	17.8	8	47.6	478,549	17.5	7	56.2

Notes: This table reports mean comparison tests for eponymous and non-eponymous firms. ** denotes that the difference in means is significant at the 1 percent level.

Table 3. Distribution of Eponymous Firms by Main Industries

Industry	% Eponymous firms	Standard deviation	Number of firms
Agriculture	17.8	38.3	338
Amusement and museums	6.5	24.7	1,940
Auto leasing and parking	6.9	25.3	233
Banks, lenders, and insurance	10.9	31.2	1,959
Building materials and home furniture	12.0	32.5	1,260
Car dealers	18.3	38.7	1,405
Chemicals	9.0	28.7	3,675
Collection, employment, building	8.3	27.6	7,688
Communications	2.8	16.6	668
Construction contractors	16.8	37.4	31,461
Education and social services	4.2	20.0	1,365
Electric and electronic non-computer	6.5	24.7	3,108
Electric, gas, sanitary	13.5	34.2	650
Food stores and restaurants	10.3	30.4	17,835
Food and tobacco	17.2	37.8	3,378
General retail and apparel	10.9	31.2	9,072
Groceries, grain, livestock, farm	16.6	37.2	6,427
Hardware, plumbing, heating equipment	8.8	28.3	5,773
Health services	8.8	28.4	1,384
Heavy construction engineering	21.5	41.1	4,737
Holding companies inc. non profit	9.6	29.4	2,052
Hotels	6.6	24.8	1,971
Industrial machines	13.7	34.4	2,502
Mailing, copying, and graphics	8.0	27.2	2,004
Measuring and analyzing	7.3	26.0	674
Metal	11.6	32.0	7,296
Mining and oil	14.0	34.8	364
Paper lumber and furniture	15.9	36.6	3,717
Paper, drugs, apparel	9.0	28.6	2,555
Personal services	6.7	25.0	9,382
Printing and publishing	6.8	25.1	2,941
Professional equipment inc. medical	2.6	16.0	1,138
Professional services	8.8	28.3	7,211
Real estate	8.6	28.0	6,090
Repair shops and services	15.7	36.4	4,107
Textile	11.1	31.4	2,047
Transportation services	12.8	33.4	8,437
Vehicles, furniture, construction	13.2	33.9	9,705
Wholesale trade-non-durable goods	9.3	29.0	778
Other	13.0	33.6	3,255
Total	12.0	32.5	182,582

Table 4. Eponymy and ROA

Dependent variable: *ROA*									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Variable	All	Services	Manufacturing	High artisan	Low artisan	Food stores and restaurants	Construction trade services	Heavy construction engineering	Professional services
Dummy for eponymous	0.015**	0.019**	0.005**	0.023**	0.012**	0.004	0.021**	0.021**	0.037**
	(0.001)	(0.001)	(0.002)	(0.005)	(0.002)	(0.004)	(0.003)	(0.005)	(0.014)
ln(*Sales*)	-0.007**	-0.011**	0.002**	-0.016**	-0.001	0.011**	-0.013**	-0.019**	-0.038**
	(0.000)	(0.000)	(0.001)	(0.001)	(0.008)	(0.001)	(0.001)	(0.001)	(0.003)
Firm age	-0.002**	-0.002**	-0.002**	-0.004**	-0.002**	-0.002**	-0.002**	-0.002**	-0.003**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	932,553	671,329	261,224	242,431	230,374	87,420	111,304	82,990	46,178
R-squared	0.08	0.08	0.04	0.10	0.062	0.06	0.11	0.10	0.09

Notes: This table reports OLS estimation of the relationship between eponymy and ROA (profits over assets). In columns 4 and 5 industries are classified to high and low artisan based on the industry degree of task routineness. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.

Table 5. Eponymy and Profit Margin

Dependent variable: *Profit margin*									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Variable	All	Services	Manufacturing	High artisan	Low artisan	Food stores and restaurants	Construction contractors	Heavy construction engineering	Professional services
Dummy for eponymous	0.011**	0.013**	0.004**	0.016**	0.007**	0.001	0.011**	0.015**	0.016**
	(0.001)	(0.001)	(0.001)	(0.003)	(0.001)	(0.002)	(0.002)	(0.003)	(0.006)
ln(*Sales*)	-0.004**	-0.005**	-0.000	-0.009**	-0.001**	0.003**	-0.004**	-0.007**	-0.015**
	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.001)	(0.001)	(0.001)	(0.002)
Firm age	0.000	0.000*	-0.000	-0.000	0.000	-0.000*	0.000	0.001**	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	932502	686379	246123	242,397	230,369	87,418	111,303	82,986	46,175
R-squared	0.06	0.06	0.04	0.06	0.053	0.02	0.04	0.03	0.04

Notes: This table reports OLS estimation of the relationship between eponymy and *profit margin* (profits over sales). In columns 4 and 5 industries are classified to high and low artisan based on the industry degree of task routineness. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.

Table 6. Eponymy and Sales Growth

Dependent variable: *Sales growth*									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Variable	All	Services	Manufacturing	High artisan	Low artisan	Food stores and restaurants	Construction trade services	Heavy construction engineering	Professional services
Dummy for eponymous	-0.034**	-0.038**	-0.024**	-0.043**	-0.043**	-0.019*	-0.055**	-0.091**	-0.041**
	(0.002)	(0.003)	(0.004)	(0.008)	(0.005)	(0.009)	(0.006)	(0.012)	(0.016)
ln(*Sales*)	-0.206**	-0.221**	-0.165**	-0.244**	-0.177**	-0.172**	-0.198**	-0.293**	-0.219**
	(0.001)	(0.002)	(0.002)	(0.003)	(0.003)	(0.005)	(0.004)	(0.005)	(0.006)
Firm age	-0.017**	-0.016**	-0.018**	-0.018**	-0.015**	-0.015**	-0.015**	-0.015**	-0.020**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	932,553	671,329	261,224	242,431	230,374	87,420	111,304	82,990	46,178
R-squared	0.08	0.08	0.04	0.20	0.18	0.17	0.18	0.21	0.19

Notes: This table reports OLS estimation of the relationship between eponymy and sales growth. In columns 4 and 5 industries are classified to high and low-artisan based on the industry degree of task routineness. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.

Table 7. Eponymy and Survival

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dependent variable:	1-year survival	3-year survival	5-year survival	Extreme sales drop 1-year	Extreme sales drop 2-year	3-year survival			
						Industry			
Variable	All	All	All	All	All	Manuf.	Services	High artisan	Low artisan
Dummy for eponymous	0.009**	0.012**	0.015**	-0.009**	-0.007**	0.011**	0.012**	0.015**	0.013**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.003)	(0.002)
ln(*Sales*)	0.000*	0.003**	0.002**	0.006**	-0.008**	0.003**	0.003**	0.001	0.005**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Firm age	0.001**	0.001**	0.001**	-0.000**	0.003**	0.001**	0.002**	0.002**	0.002**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Share of surviving firms/Sales drop	0.84	0.76	0.68	0.052	0.061	0.76	0.76	0.75	0.76
Observations	912,276	625,193	360,876	932,553	932,553	171,862	453,331	156,797	152,009
R-squared	0.68	0.70	0.68	0.03	0.03	0.73	0.69	0.68	0.68

Notes: This table reports the estimation results of a Linear Probability Model of the relationship between eponymy and firm survival. In column 4 the dependent variable is a dummy that receives the value of unity for firms that experience an annual drop in their annual sales of 30 percent or more. In column 5 the same drop in sales is bi-annual. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.

Table 8. Firm Life Cycle

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Dependent variable:	ROA					Sales growth					3-year survival				
	Firm age					Firm age					Firm age				
Variable	Below 5	Between 5 and 8	Between 9 and 12	Above 12	All	Below 5	Between 5 and 8	Between 9 and 12	Above 12	All	Below 5	Between 5 and 8	Between 9 and 12	Above 12	All
Dummy for eponymous	0.033**	0.013**	0.006**	0.004**	0.031**	-0.078**	-0.033**	-0.017**	-0.011**	-0.132**	0.020**	0.015**	0.007**	0.003	0.023**
	(0.002)	(0.002)	(0.002)	(0.001)	(0.002)	(0.006)	(0.003)	(0.003)	(0.002)	(0.005)	(0.002)	(0.002)	(0.003)	(0.002)	(0.002)
Dummy for eponymous × *Firm age*					-0.002**					0.011**					-0.014**
					(0.000)					(0.001)					(0.000)
ln(*Sales*)	-0.010**	-0.012**	-0.004**	-0.000	-0.007**	-0.374**	-0.143**	-0.097**	-0.078**	-0.205**	0.003**	0.001*	0.002**	0.002**	0.003**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)	(0.003)	(0.002)	(0.002)	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.000)
Firm age	-0.001	-0.002**	-0.002**	-0.002**	-0.002	-0.217**	-0.011**	-0.003**	-0.001*	-0.018**	0.008**	0.002**	0.001**	0.000	0.002**
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.002)	(0.001)	(0.001)	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	261,778	254,753	194,725	221,297	932,553	261,778	254,753	194,725	221,297	932,553	174,705	174,307	132,390	143,791	625,193
R-squared	0.12	0.07	0.05	0.04	0.08	0.30	0.13	0.12	0.13	0.19	0.68	0.69	0.72	0.73	0.70

Notes: This table reports OLS estimation of how the relationships between eponymy and ROA, sales growth, and survival vary by firm age. Firm age is defined as number of years from year of incorporation. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.

Table 9. Variation by Industry Characteristics

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dependent variable:	ROA				Sales growth			
Dummy for eponymous	0.001	0.001	0.002	0.019**	-0.017	-0.009	0.008	-0.045**
	(0.004)	(0.004)	(0.005)	(0.002)	(0.010)	(0.009)	(0.011)	(0.003)
Dummy for eponymous × *Industry dispersion 99-1*	0.005**				-0.008**			
	(0.001)				(0.003)			
Dummy for eponymous × *Industry dispersion 95-5*		0.013**				-0.026**		
		(0.004)				(0.008)		
Dummy for eponymous × *Industry Tobin's Q*			0.048**				-0.158**	
			(0.016)				(0.035)	
Dummy for eponymous × *Industry labor turnover*				0.012**				-0.020**
				(0.003)				(0.006)
ln(*Sales*)	-0.007**	0.007**	-0.008**	-0.007**	-0.206**	-0.206**	-0.210**	-0.206**
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)
Firm age	-0.002**	-0.002**	-0.002**	-0.002**	-0.017**	-0.017**	-0.017**	-0.017**
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	932,553	932,553	708,976	924,974	932,553	932,553	708,976	924,974
R-squared	0.08	0.08	0.08	0.08	0.19	0.19	0.19	0.19

Notes: This table presents the estimation results for how the relationship between eponymy with ROA and sales growth varies by industry conditions. Industry dispersion 99-1 is the difference in labor productivity growth between the 99th and 1st percentile, computed over the complete sample. Industry dispersion 95-5 is the respective difference in labor productivity growth between the 95th and 5th percentile. Industry Tobin's Q is the industry average ratio between firm value and physical stock, computed over American Compustat firms for the period 1980-1996. Industry labor turnover is constructed using annual establishment-level employment data from the U.S. Bureau of Labor Statistics' Current Employment Statistics Survey (1977--2003). We calculate firm-level labor turnover rate as the average of absolute change in annual employment at the firm divided by the average firm employment across two years. The industry labor volatility measure is the average of firm turnover rate in each two-digit SIC industry. Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. ** indicate statistical significance at the 5% and 1% level, respectively.

Table 10. Owner Name Commonality

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
Dependent variable:	ROA					Sales growth					3-year survival				
	Name commonality					Name commonality					Name commonality				
Variable	Lowest 5%	Highest 5%	Low	Medium	High	Lowest 5%	Highest 5%	Low	Medium	High	Lowest 5%	Highest 5%	Low	Medium	High
Dummy for eponymous	0.037**	0.003	0.028**	0.016**	0.007**	-0.043**	0.013	-0.042**	-0.037**	-0.025**	0.023**	0.010**	0.016**	0.011**	0.009**
	(0.008)	(0.003)	(0.003)	(0.002)	(0.001)	(0.015)	(0.007)	(0.006)	(0.005)	(0.004)	(0.006)	(0.004)	(0.002)	(0.002)	(0.002)
ln(*Sales*)	-0.019**	0.005**	-0.016**	-0.007**	0.005**	-0.271**	-0.161**	-0.237**	-0.201**	-0.184**	-0.001	0.007**	0.002**	0.003**	0.003**
	(0.002)	(0.001)	(0.001)	(0.001)	(0.001)	(0.006)	(0.006)	(0.003)	(0.002)	(0.003)	(0.002)	(0.002)	(0.001)	(0.000)	(0.001)
Firm age	-0.004**	-0.001**	-0.004**	-0.002**	-0.001**	-0.021**	-0.013**	-0.019**	-0.017**	-0.015**	0.003**	0.001*	0.002**	0.001**	0.001**
	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.001)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Three-digit SIC dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	46,626	46,798	233,149	466,257	233,131	46,626	46,798	233,149	466,257	233,131	28,903	31,782	149,059	316,130	159,992
R-squared	0.10	0.04	0.10	0.08	0.04	0.21	0.18	0.20	0.19	0.19	0.68	0.66	0.20	0.71	0.70

Notes: This table reports OLS estimation of how the relationship between eponymy, ROA, sales growth, and survival varies by the commonality of the owner name in the city where the firm operates (in case of multiple owner last names, we average commonality values). Standard errors (in parentheses) are robust to arbitrary heteroskedasticity and allow for serial correlation through clustering by firms. * and ** indicate statistical significance at the 5% and 1% level, respectively.