

THE HONG KONG POLYTECHNIC UNIVERSITY  
DEPARTMENT OF MANAGEMENT & MARKETING  
DEPARTMENTAL RESEARCH SEMINAR

**Status, Conformity and Resource Dependency  
amongst Hedge Funds**

By

**Dr Joon Nak Choi**  
**The Hong Kong University of Science and Technology**

Date: Monday, 16 April 2012

Time: 2:30 p.m. - 4:00 p.m.

Venue: M802

All interested are welcome

# Status, Conformity and Resource Dependency amongst Hedge Funds

## Abstract

According to prior research in organizational theory, middle-status organizations face particularly strong pressures towards conformity, to legitimate themselves in the eyes of external actors controlling key resources. In this study, I investigate how such attempts at legitimation can actually alienate the same external actors they are meant to impress. Examining hedge funds, I find that middle-status funds facing high uncertainty seek to legitimate themselves by conforming to standard measures of risk (i.e. VaR, standard deviation of returns). However, I also find that these measures of risk become increasingly insignificant predictors of capital allocation. Overall, my evidence suggests that hedge funds attempting to conform to established measures of risk reduce their performance during periods of uncertainty, which adds towards institutional investors' tendency to re-allocate capital away from them.

**Joon Nak CHOI** is currently an Assistant Professor at HKUST Business School, focusing on business strategy and organizational theory. He previously held a postdoctoral fellowship at the Shorenstein Asia-Pacific Research Center at Stanford University. Dr Choi holds a PhD from Stanford University and an AB from Brown University, and has prior experience working in the management consulting industry.