

# **Advances in the research on young business growth: persistence, impact on profits and the moderating role of firm age**

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## **ABSTRACT**

This dissertation contributes to the research on young firms' growth by analyzing two major issues, namely growth persistence and its impact on profits, where further theoretical development is needed and the empirical evidence is scarce and inconclusive. Based on Penrose's approach, the resource-based view and evolutionary economics, this doctoral thesis examines (i) the relationship between firm growth and profits, (ii) the autocorrelation among young firms' growth, and particularly, (iii) the growth persistence and the impact of growth on profits in the case of high-growth firms.

Employing longitudinal panel data extracted from SABI<sup>®</sup>, this dissertation analyzes different cohorts of Spanish young firms from manufacturing and services sectors, during their earlier years of life. This thesis is organized upon three different papers, each one corresponding to one of the aforementioned objectives. The results of the first paper show that unlike some theories suggest, profits do not affect young firm growth whereas firm growth indeed enhances firm profits. Interestingly, these relationships are highly affected by intra- and inter-industry heterogeneity. The second paper indicates that young firm growth rates tend to exhibit a positive autocorrelation, that is, growth rates are persistent over time, which contrasts several previous studies. Nevertheless, as long as firm matures this positive correlation becomes more erratic, being the fifth year a turning point in a young firm growth path. The last paper, in turn, demonstrates that high growth firms are unlikely to sustain their high growth episode for more than one period and that these episodes show a slightly positive impact on subsequent profits. Additionally, this impact is higher if the high growth episode takes place once the firm surpasses its first few years.

All these findings have important implications for theory development and future research on young firm growth, discussing previous theories in the light of the new empirical evidence.