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TITLE:

Too fast to live? Effects of growth on survival across the growth distribution

ABSTRACT:

There are several theoretical reasons to suppose that excessive fast growth may harm survival: 'Penrose effects' operating through limits to managerial attention, cash flow problems, 'time compression diseconomies' and convex adjustment costs that make costs exceed revenues, and difficulties in quickly finding good matches on labour markets. We explore survival across the growth rate distribution using a rich dataset of a cohort of 6247 new ventures, using customer records data from a major UK bank. We measure non-survival through termination of the business account (as opposed to continuation or switching the account to a rival bank). Although growth enhances survival on average, the highest decile of the growth distribution never has the highest survival, and there are significant non-linearities (specification tests prefer a seventh-order polynomial). Our findings have implications for the current policy interest in high growth firms.