

High-growth firms and the business cycle: A study on how the fastest growing Norwegian firms are affected by the different phases of the business cycle

Lars Magnus Brynildsrud



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This paper investigates the behavior of high-growth firms throughout the different phases of the business cycle. The analysis is based on a large sample of accounting data from Norwegian firms, between 1999 and 2010. The research was performed on a detailed level, through analysis of inter-connected relationships between different firm characteristics. The relationships proved to be more complex than initially anticipated, and several surprising discoveries were made. The results show that there exists a division between “super-growers”, and profitable high-growth firms, as previous profitability negatively influence growth and previous growth negatively influence profitability, throughout the beginning of the business cycle. However, firms that showed profitability, or experienced growth in revenues during the downturn of 2009, were very likely to both grow and experience profitability during the retrieval of 2010. Furthermore, differing influences from age and size were unexpected, and size seems to positively influence growth in a cyclical manner. Lastly, the effects from previous growth in revenues and growth in labor costs were splayed, and indicate growth in labor costs as a more robust measure of intrinsic growth.



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*Institute for Research in Economics
and Business Administration*

Helleveien 30
N-5045 Bergen
Norway
Phone: (+47) 55 95 95 00
E-mail: snf@snf.no
Internet: <http://www.snf.no/>

Trykk: Allkopi Bergen