

# Why Do Firms Differ and How Does It Matter: A Revisitation

# Topics I will talk about

- Studies of biological evolution and the importance of narrative
- Studies of firm differences and industry dynamics using the new data sets
- Rethinking regarding firm differences

# Lessons from study of biological diversity and evolution

- Many sources of diversity
- Selection pressures on most are very weak
- Narrative as the principal mode of description and explanation
- The limited role of formal models

# Firm diversity and dynamics in the longitudinal data sets

- Why “replicator dynamics” is not a good explanation of what is going on
  - Many different sub-markets
  - Loose connection between firm performance and survival and growth
- Need to consider “new entrants” as a differentiated sub-species
- The loose and complex connection between firm innovation and firm growth

# Rethinking about the sources and consequences of firm differences

- Need to recognize heterogeneity of sub-markets, and of influences on the dynamics of different firms
- Need to recognize the importance of shared knowledge – technological paradigms
  - Reduces the durable differences among competing firms
  - New paradigms, loose ones, tight ones
- Differences among industries to be expected
- The importance of combining qualitative historical analysis with quantitative analysis