

# Seminari di Economia

Venerdì 7 ottobre 2022

Ore 12:00 – Aula Arcari

Facoltà di Scienze Economiche Giuridiche e Politiche - Viale Sant'Ignazio 84

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## *Survival and the Ergodicity of Corporate Profitability*

**Abstract** – The cross-sectional variation in corporate profitability has occupied research across fields as diverse as strategic management, industrial organization, finance, and accounting. Prior work suggests that corporate idiosyncrasies are important determinants of profitability, but it disagrees on the quantitative importance of particular effects. This paper shows that corporate specificities become irrelevant in the long run because profitability is ergodic conditional on survival, leading to a uniform, time-invariant regularity in profitability that applies across firms. Conditional on survival, we cannot reject the hypothesis that corporations are on average equally profitable and also experience equally volatile fluctuations in their profitability, irrespective of their individual characteristics. Because the same is not true for shorter-lived firms, even for more than 20 years after entry, we can reconcile our findings with an extensive literature that studies profitability in heterogeneous samples of surviving and shorter-lived firms. Our findings provide a new benchmark for long-term performance in competitive environments and offer a novel perspective by highlighting a robust commonality instead of specificities.