

The Mover–Stayer Model: An Ordinal Approach to Persistent Performance

Heterogeneity

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Abstract

We introduce the ‘Mover–Stayer Model’ (MSM) to the strategy literature and use it to study persistent performance heterogeneity. The MSM can give us a finer grained picture of performance heterogeneity because it allows us to divide firms into different performance categories (e.g. superior, moderate, and inferior) and study the probabilities that firms move between these categories over time. Using COMPUSTAT data across 40 industries over 50 years (1950–2006), we demonstrate three different aspects of performance heterogeneity: (1) persistence heterogeneity: the performance of superior performers is more persistent than that of inferior performers, followed by moderate performers; (2) mobility heterogeneity: moderate performers are more mobile (i.e., more likely to move into or from the adjacent categories) than superior or inferior performers; (3) measurement heterogeneity: while the persistence of profit is much stronger than the persistence of growth, corporate turnaround is more likely in the growth than the profit context.

Keyword : The mover–stayer model; competitive heterogeneity; performance persistence