

**THE RATES OF CHANGE OF ENTRANTS AND INCUMBENTS  
IN A DEREGULATED INDUSTRY**

**Tammy L. Madsen**

Dean Witter Foundation Fellow  
Management Department  
The Leavey School of Business  
Santa Clara University  
Santa Clara, CA 95053  
ph: 408-551-7165; fax: 408-554-5206  
tmadsen@scu.edu

**Gordon Walker**

The Edwin L. Cox School of Business  
Southern Methodist University  
P.O. Box 750333  
Dallas, Texas 75275-0333  
ph: 214-768-2191, fax: 214-768-4099  
gwalker@mail.cox.smu.edu

**ABSTRACT**

This study compares incumbents' and entrants' rates of change in assets in a new competitive environment characterized by price and entry deregulation. This comparison is made in the Trucking Industry from 1980 to 1993. By specifying deregulation as an unambiguous break in industry history, we are able to be clearer than earlier studies about how differences in firm histories give rise to variance in firm growth rates. The results demonstrate that, controlling for age, the asset growth rates of entrants and incumbents differ by size and within and across firm types. A baseline test shows that, after the industry deregulates, incumbents grow their asset base more slowly than entrants do. The findings suggest that two clocks, the industry clock and the internal firm clock, govern adjustment to industry change. After fundamental institutional change, the industry clock is reset but incumbents' internal clocks are not.