

Exit and Entry over the Product Life Cycle: Evidence from the Swedish Manufacturing Industry

To be presented at the DRUID winter conference
Copenhagen, 18th August – 20th January 2001

Kristina Blom and Charlie Karlsson
Jönköping International Business School

P.O. Box 1026

SE-551 11 Jönköping

Sweden

E-mail:

kristina.blom@jibs.hj.se

charlie.karlsson@jibs.hj.se

Abstract:

In this paper the process of exit and entry of plants in the Swedish manufacturing industry is investigated within the framework of the product life cycle. The product life cycle theory explain how the high degree of uncertainty, as regards product designs and production methods, is connected to the early stages of the product life cycle requires a high level of knowledge-intensity. As uncertainty decrease over time less knowledge is needed in young industries. This implies that knowledge-intensity differs for plants that exit and enter in different stages of the product life cycle. Five hypotheses regarding these relationships are stated and empirically tested in this paper, using data at the 5 digit SIC-level for the Swedish manufacturing industry during 1990-96. The empirical results show that firms exiting and entering in the early stages of the product life cycle are more knowledge intensive than plants who exit or enter in later stages. There are also some indications that entrants in early stages of the product life cycle should be more knowledge-intensive than incumbents.

Key words: Exit, entry, product life cycle, knowledge-intensity, manufacturing industry