
Abstract: In this study we investigate determinants of parent-firm growth rates. Building on Penrose’s theory of the growth of the firm, we argue that factors that influence the availability of managerial services at the upper ranks influence the rate at which a firm is able to establish new subsidiaries. We hypothesize and find that the rate of growth and the common TMT-specific experience of a firm’s top management team in one period positively affect the rate of growth of the firm in a subsequent period. We also hypothesize and find that the additional demands put on a firm’s management team by increased product scope and cultural distance has a negative effect on the rate of growth of the firm in a subsequent period. We test our hypotheses on cross-sectional time-series data on the 5848 expansion steps taken by 91 German firms from 1985 to 2007.

Keywords: Added cultural distance; Added product scope; Growth rate; Penrose; Common team-specific experience; Longitudinal empirical study