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THE LIABILITY OF VOLATILITY AND HOW IT CHANGES OVER TIME AMONG NEW VENTURES

Abstract

This article theorizes how short-term revenue volatility affects new venture viability and how such volatility develops over time. Tracking 6578 new ventures over a ten-year period, the article finds that, even after controlling for a range of other factors, short-term revenue volatility is a stronger predictor of firm exit than are established variables such as venture size or growth. Short-term revenue volatility is associated with the depletion of buffer resources and it decreases over time at the cohort level due to the exiting of volatile firms, but firm-level adaptation does not reduce the average short-term revenue volatility of the cohort.

1. Introduction

Short-term financial volatility is recognized as a serious issue for new ventures because it is believed to be associated with involuntary firm exits (Bamford & Bruton, 2016; Hisrich et al., 2013; Wiklund et al., 2010). However, our knowledge of these linkages is based largely on anecdotal evidence and untested assumptions. Such evidence can be misleading (Wiklund, 1999). Consequently, we do not know whether short-term volatility is associated with higher mortality rates among new ventures, whether it is higher among newer than older ventures or how it develops over time. Whereas constructs such as new venture size and growth have received considerable attention (e.g., Aldrich & Auster, 1986; Coad, 2018; Delmar, et al., 2013; McKelvie, et al., 2017; McKelvie & Wiklund, 2010; Wennberg et al., 2016), the extant literature provides only scattered theorizing about the effect of short-term volatility. Consequently, short-term volatility is believed to be important, but there are both theoretical and empirical gaps in our understanding of how such volatility impacts new ventures and how it develops over time. To build a reliable body of knowledge, we need large-scale longitudinal studies that span levels of analysis (Davidsson, & Wiklund, 2001; Low, & MacMillan, 1988).

This study begins to address these research gaps by theorizing and empirically investigating how short-term revenue volatility, as measured by volatility in monthly revenue streams, affects new venture viability, and how this type of volatility develops over time in a cohort of new ventures. The cohort consists of 6578 new ventures that all started trading in early 2004. We track these ventures' bank accounts over a ten-year period or until they go out of business. The study analyzes both firm level developments and aggregated cohort effects (i.e., how the composition of ventures in the cohort changes over time).

The article makes important theoretical contributions. First, by setting out the theoretical mechanisms connecting short-term revenue volatility to new venture viability, we contribute to the liability-of-newness literature (Stinchcombe, 1965). Previous studies have shown that there is a liability of smallness, which is separate from, yet intertwined with, the liability of newness (Aldrich & Auster, 1986; Coad, 2018). A major contribution to this literature is to show that short-term revenue volatility is a separate liability in its own right and to outline how the liability of volatility is related to the liabilities of newness and smallness. Our findings are of particular relevance to entrepreneurship research using financial measures to theorize on new venture viability (e.g., Storey et al, 1987; Wennberg et al., 2016; Wiklund et al., 2010).

Second, we contribute to the literature on evolutionary theory in the domain of entrepreneurship and organization studies (Aldrich & Ruef, 2006; Hannan & Freeman, 1977). In seeking to explain changes in the composition of cohorts of organizations over time, this literature importantly distinguishes between adaptation and selection mechanisms. To date, however, studies addressing these mechanisms simultaneously have tended to rely on theoretical arguments or on computer simulations (e.g., Bruderer & Singh, 1996; Carroll, Harrison & McKendrick, 2011; Denrell et al., 2017; Levinthal & Marino, 2015). Empirical studies, have examined relatively large ventures (compared to the typical startup) and

changes to salient attributes, such as types of services offered or the types of niches occupied (Baum & Singh, 1996; Delacroix & Swaminathan, 1991; Usher & Evans, 1996). Such studies are informative, but limited in their ability to assess whether adaptation in salient traits is the outcome of strategic foresight rather than imitation of successful firms. Our study remedies this limitation by providing insights into changes to attributes that are not easily observable for outsiders. Our study also contributes important insights into the longitudinal effects of adaptation and selection in the early parts of the venture life cycle, which have been highlighted as important areas for research (Delmar et al., 2013).

Overall, our findings confirm that volatility is associated with substantially higher mortality rates among new ventures. Moreover, short-term revenue volatility is a stronger predictor of new-venture exit than are well-researched variables such as size, growth or previous startup experience¹. We also find that short-term revenue volatility is associated with the depletion of buffer resources and with financial default, which indicates that there are strong pressures on new ventures to decrease such volatility or to manage its consequences. Yet, contrary to common beliefs, we find no evidence that firm-level adaptation or learning reduce the average short-term revenue volatility of survivors, nor that the adverse effects of volatility tend to decrease over time. It is also counter-intuitive that, despite the strong negative effect of short-term revenue volatility on individual venture survival, the decrease in short-term revenue volatility at the cohort level due to the elimination of volatile ventures is only modest.

The remainder of the article proceeds as follows. Section 2 provides the theoretical background and develops our hypotheses. Section 3 sets out the data and methodologies used

¹ In fact, previous startup experience was found to have no significant effect on new venture viability. While counter to common beliefs, this is consistent with a growing body of research that show no, or even a negative, effect of previous experience (Nielsen & Sarasvathy, 2016; Rocha et al., 2015; Yang & Aldrich, 2017).

to test the hypotheses. Section 4 provides results, with these being discussed and summarized in Section 5.

2. Theoretical background and hypotheses

As long ago as 1955, Beesley observed that the mortality rate of young manufacturing firms in Birmingham was considerably higher than that of their older counterparts. A decade later, Stinchcombe (1965) theorized that this was a characteristic of organizations more broadly, particularly of those that broke with tradition and adopted new forms. He referred to this as the “liability of newness” and argued that it reflected challenges that were specific to new organizations: the designing of new roles and routines, learning and establishing such roles and routines, developing social relations and trust between strangers inside the organization, and developing stable relationships with external stakeholders. In this article, we focus on new ventures, rather than the more specific cases of the liability of new forms or the more general case of new organizations.

While subsequent research has firmly demonstrated that new ventures suffer considerably higher mortality rates than their older counterparts (Box, 2008; Thornhill & Amit, 2003; Yang & Aldrich, 2017), the specific mechanisms that underpin this heightened mortality rate are still not sufficiently understood. Existing research suggests that the survival chances of new ventures can be increased by access to buffer resources such as cash reserves and/or a willingness to work extensive hours with little or no compensation (Wiklund et al. 2010; Shane, 2008). The consequence is that, for firms with such buffers, the liability of newness has been described as a liability of adolescence, where the mortality rate of new ventures starts at a lower rate, grows as the buffers becomes exhausted and then falls as it becomes established (Brüderl & Schüssler 1990, Fichman & Levinthal 1991; Le Mens et al.,

2011).² New ventures tend to be supported by some buffer resources that allow for the initial establishment of routines and provide protection against fluctuations in firm performance, so raising their short-run survival rates (Frid et al., 2016; Storey 2011; Wiklund et al., 2010).

Because larger firms tend to have more buffer resources than smaller ones, venture size has also been identified as an important factor explaining mortality rates in its own right and is referred to as the liability of smallness (Aldrich & Auster, 1986; Freeman, et al., 1983). Since most new ventures are also small, age and size are correlated so that the liability of smallness is intertwined with the liability of newness (Coad, 2018). The links between smallness and newness are both empirical (observed correlation between age and size) and theoretical, since the perils of being small also apply to why it is perilous to be new – such as difficulty of recruiting employees and raising capital (Aldrich & Auster, 1986).

Ultimately, however, small and large firms alike must generate a positive cash flow to survive (Venkataraman et al., 1990). Cash flow is the total amount of money going into, and coming out of, a business in a given time period. It is positive when cash revenue exceeds outgoing payments and negative in the reverse case. Yang & Aldrich (2017) showed that although a range of other factors matter in establishing a new venture, achieving a positive cash flow for a single month was the single most important factor. This reduced the death rate of new ventures by 65%, whereas 10 years of industry work experience reduced the hazard of failing by 20% and previous startup experience had no significant effect.

Cash flow is consequently an important aspect of new venture viability, but we know little about how either revenue streams or expenses develop over time and how this is linked to new venture viability. For example, we do not know how stable flows tend to be after cash flow has turned positive for the first time, or how subsequent volatility affects new ventures.

² As the arguments for decreasing mortality rates after the peak suggested by the liability of adolescence are the same as the ones associated with the liability of newness, we continue to refer to it as the liability of newness.

While there is some quantitative research on how accounting and financial measures, including revenue, influence new venture survival, such studies are limited to annual data, which lacks measures of short-term flows (Delmar et al., 2013; Wiklund et al., 2010). This is a key limitation because it is widely believed that short-term volatility (i.e., volatility within a year, such as monthly fluctuations) creates cash flow problems and that such volatility, therefore, constitutes one of the most important threats to new ventures (Bamford & Bruton, 2016; Hisrich et al., 2013). Unfortunately, these beliefs have yet to be tested in large scale longitudinal research.

Knowledge of how volatility develops over time is therefore crucial for our understanding of the liability of newness. Without it we do not know whether short-term volatility differs between new ventures and more established ventures. To better understand the differences between new and established firms, we have to move beyond the firm as the unit of analysis and also assess developments at the cohort level. For example, if there are differences in volatility between new and older firms, is this difference due to changes in individual firms or to selection/retention mechanisms that influence the composition of firms in a cohort, or some combination of the two? In the following sections, we home in on short-term revenue volatility, its effect on new venture performance and how it develops over time.

2.1. Short-term revenue volatility and venture exits

New ventures close for a variety of reasons (Wennberg & DeTienne, 2014; Gimeno et al., 1997; Jenkins & McKelvie, 2016). In some cases, this is because the venture is unable to meet its financial obligations, forcing the owner(s) to close the business. Some such exits may be associated with insolvency and end up in bankruptcy for the owners, but this form of exit is relatively uncommon (Wennberg & DeTienne, 2014). “Voluntary exits” are more typical and take place when a venture compares unfavorably with other options open to the

founder(s), such as an alternative job, an alternative investment,³ retirement, or unemployment (Coad, 2014). Consequently, anything that lowers the perceived value of the venture in comparison to alternatives for the founder(s) will lower the venture's relative viability (Coad, 2014). In this subsection, we theorize how short-term revenue volatility, *ceteris paribus*,⁴ is related, first to new venture viability, and then to financial buffer resources.

2.1.1. Short-term revenue volatility and relative venture viability

We now identify four possible reasons why short-term revenue volatility might be expected to decrease a venture's relative viability. The first is that *volatility makes it harder to plan ahead*: A volatile revenue stream makes it harder for a firm to evaluate its 'average' size or 'steady-state' scale of operations, because this changes from one month to the next. *A fortiori*, revenue volatility makes it more difficult to predict future demand for a firm's products or services, thus making planning more difficult (cf., Bo, 2001; Bloom, 2014; Tuli et al., 2010). A firm that cannot accurately judge its needs in the short term will have difficulties planning for the longer term. A firm whose revenue streams fluctuate in the short term may also be distracted by flickering indicators and attempts at interpreting inconstant 'micro-trends,' straining the entrepreneur's cognitive abilities, and thereby devoting excessive attention to short-term issues. Consequently, less attention is directed toward the longer-term strategic aspects of the venture's operations, reducing the venture's relative viability.

³ Examples are closing the venture and perhaps selling the assets, but not selling the venture, because then the venture is still surviving. We define venture exit as a cessation of trading (see pp.17). We do not classify exits as either successes or failures as this is subjective (Coad, 2014; Jenkins & McKelvie, 2016).

⁴ This means holding constant all other variables such as total income; thus, we are comparing firms with the same total revenue (e.g., GBP100,000 per year), but varying the way in which firms receive this revenue over the year – some firms will have more volatility in revenue streams than others.

The second reason is that *volatility adds psychological stress*: Higher demand uncertainty leads to uncertainty over the amount and type of work that is required. While it is commonly known that high workloads can lead to high levels of stress, low workloads, especially in ambiguous circumstances, can also be stressful (Bruursema et al., 2011; Crawford et al., 2010). Demand uncertainty may also lead to unreliable remuneration or ultimately uncertainty about the existence of the job itself. Qualitative research suggests that variable and uncertain demand is a source of stress for entrepreneurs (Stephan, 2018) and a range of studies show that uncertainty is positively related to stress and negatively related to job satisfaction and commitment (e.g., Ashford et al., 1989; Paulsen et al., 2005; Pollard, 2001). For all these reasons increased short-term revenue volatility will, *ceteris paribus*, reduce the entrepreneurs' perceived value of the job provided by the venture in terms of their psychic utility and mental health, which in turn will reduce their commitment to the venture.

Third, *volatility adds a risk premium*: For two otherwise equal investments, the risk premium for a more volatile one will be higher (Bloom, 2014). Consequently, the valuation of a venture by its founder(s) will, *ceteris paribus*, be negatively influenced by short-term revenue volatility (Rountree et al., 2008), which in turn reduces the venture's relative viability. Such volatility also leads to higher risk premia among any existing or potential external investors and may increase the cost of borrowing as lenders too may charge a risk premium.

Fourth, *volatility raises average costs*: In addition to the increased cost of credit, volatility in revenue streams may lead to higher average costs, because the firm must continually adapt their scale of operations (e.g., paying employees overtime rates in some months and paying them to stay on with less work in leaner months; disrupting work and reassigning tasks while fluctuating between overuse and underuse of machines). Irrespective of any induced uncertainty, each time a firm changes its scale of operations, it incurs

adjustment costs (e.g., costs of hiring new employees, costs of firing, costs of paying overtime, costs of inefficient overuse or underuse of machines, warehouse and storage costs). Adjustment costs are often assumed to be quadratic in any time period: hence it is better to smooth any changes in inputs in response to demand shocks over a longer period of time, because larger changes in capital and machinery have disproportionately larger adjustment costs (Hamermesh & Pfann, 1996). Relatedly, Dierickx and Cool (1989) use the concept of ‘time compression diseconomies’ to explain how costs rise if changes occur in accelerated fashion instead of gradually. Even when keeping the workforce constant, volatility will (as argued above) induce stress, which comes at a cost in terms of increased risks of mistakes and injuries. Consequently, both unusually high, and unusually low, workloads reduce the perceived value of the jobs offered to any existing or potential employees hurting recruitment and/or retention. Finally, some aspects of revenue volatility increase costs via increased uncertainty (e.g., planning for contingencies that do not occur), while others increase costs even in situations of no uncertainty (e.g., adjustment costs of adapting to anticipated changes).

In short, all four reasons imply that, *ceteris paribus*, short-term revenue volatility will be negatively related to the relative viability of a new venture. We therefore hypothesize that:

H1: Short-term revenue volatility is negatively related to new venture survival.

2.1.2. Short-term revenue volatility and financial buffer resources

Maintaining a positive cash flow is essential for firms to survive over the long term (Venkataraman et al., 1990). However, survival is enhanced when ventures have access to financial buffers so, when cash flow turns negative, cash reserves become the first resort. Wiklund et al. (2010) suggested that high liquidity is beneficial to new ventures, in part because it protects against the volatility of revenue streams. A second very important financial buffer is provided by personal or family funding (Yang & Aldrich, 2017), but this is

unavailable to low-wealth founders (Hvide & Møen, 2010). A third financial buffer is funding provided by an external financial institution in the form of a loan or overdraft.⁵

When all such buffers are exhausted, ventures become vulnerable to the threat of having to cease trading; that is, they are at the boundary of their viability in an absolute sense (Coad, 2014). However, even when buffers are exhausted, the owners may favor continuing to trade over closing the venture, especially if they view the current conditions as temporary. In order to do so, however, they will have to rely on desperate measures, such as engaging in unauthorized borrowing from their bank by exceeding their overdraft limit. This type of borrowing is associated with punitive interest rates and a letter from the bank that such borrowing is unwelcome. This kind of risky financial activity is consequently a strong indicator that a venture has exhausted its available short-term financial buffer resources and balances on the boundary of absolute viability.

Short-term revenue volatility therefore leads to the depletion of buffer resources for three reasons. First, any additional costs induced by volatility (as outlined in the previous section) contributes to the depletion of a venture's resources. Second, because a proportion of firm expenditure tends to be fixed, volatile revenue streams increase the risk of cash flow turning negative (Bamford & Bruton, 2016; Hisrich et al., 2013). Third, firms with higher revenue volatility generally need to set aside more resources, for example increase inventory, to accommodate for spikes in demand compared to firms with low revenue volatility. Setting aside such resources makes firms more vulnerable should sufficient revenue streams not materialize (Bo, 2001). Resources dedicated to buffers against spikes in demand, lock up cash, which could otherwise have been used as a buffer against negative cash flow (Hisrich et

⁵ Note that no reference is made to external equity because this is extremely rarely provided for startups, particularly before trading begins. In our dataset we have no cases of investment by a formal venture capitalist at start up.

al., 2013). Given that the typical US small business has less cash on hand than is needed to cover one month of expenses in the event of a total disruption in revenues (Farrell et al., 2016), revenue volatility, even over very short periods of time, can generate cash shortages for new ventures that exhaust their cash reserves, forcing them into unauthorized borrowing.

If, as we have theorized above, volatility increases the risk of exhausting buffer resources, then there should be a positive relationship between short-term revenue volatility and the proportion of time a new venture spends in excess of the overdraft limit. We therefore hypothesize that:

H2: Short-term revenue volatility is positively related to the proportion of time that new ventures spend in excess of the overdraft limit.

If, as we have hypothesized, short-term revenue volatility is adversely related to new venture survival, then this could explain why younger ventures tend to experience higher mortality rates compared with their older counterparts (Stinchcombe, 1965). However, for this to be the case, short-term revenue volatility needs to either decrease with time and/or its effect needs to become less adverse with time. We now theorize how short-term revenue volatility evolves over time in a cohort of new ventures.

2.2. Changes in cohorts of organizations: selection and adaptation

The characteristics of a cohort can change through selection or adaptation mechanisms, or a combination of both (Aldrich & Ruef, 2006; Baldwin & Rafiquzzaman, 1995; Hannan & Freeman, 1977). Selection refers to the removal of selected members from the cohort through exits;⁶ and adaptation refers to changes in individual organizations that influence how it is interacting with its environment, including its relations and interactions with other organizations (Hodgson, 2013). In a pure model of selection, ventures cannot

⁶ As the focal cohort is defined by the time at which the ventures started trading, no new members can be added after this time. In studies of e.g., industries or regions, one has to consider entries too.

improve their underlying capabilities, and instead the population evolution is driven by the selective elimination of ventures with lower ‘fitness’ (Jovanovic, 1982). In a pure model of adaptation, the ventures never die, but individual ventures and their owners can adapt and learn (Cope, 2005; Ericson & Pakes, 1995; Minniti & Bygrave, 2001; Politis, 2005), thus changing the aggregate cohort composition. Adaptation and selection may pull in different directions, but together they explain all changes at the cohort level (Hodgson, et al., 2017).

2.2.1. Mathematical decomposition of adaptation and selection

The evolution of a cohorts’ revenue volatility can be mathematically decomposed into adaptation and selection as follows. At the start of the period, denoted by time t , the average volatility of ventures i in the cohort of N ventures can be written as follows:

$$\overline{vol}_t = \frac{\sum_{i=1}^N vol_{it}}{N} \quad (1)$$

The average volatility of the M surviving ventures (with $M \leq N$) at the end of the period (i.e. at time $t+\tau$) can be written as:

$$\overline{vol}_{t+\tau} = \frac{\sum_{i=1}^M vol_{i,t+\tau}}{M} \quad (2)$$

This change in average volatility can be due to two factors: selection and adaptation.

Selection refers to the change in average volatility that is due to the selection of M surviving ventures from the N initial ventures. The average volatility, evaluated at the initial period t , of the M surviving ventures, can be written as:

$$\overline{vol}_{t,M} = \frac{\sum_{i=1}^M vol_{it}}{M} \quad (3)$$

Hence, the contribution of selection to changes in average volatility is the difference between (1) and (3), i.e., the effect of selection on average volatility is equal to:

$$\frac{\sum_{i=1}^M vol_{it}}{M} - \frac{\sum_{i=1}^N vol_{it}}{N} \quad (4)$$

which can be positive or negative, depending whether the first term (initial average volatility, evaluated at time t , of the M ventures that survive until $t + \tau$) is larger than the second term (initial average volatility of all N ventures).

The contribution of adaptation refers to the changes over time within the same group of surviving ventures M , from the start of the period (equation (3)) to the end of the period (equation (2)), i.e. the effect of adaptation is equal to:

$$\frac{\sum_{i=1}^M vol_{i,t+\tau}}{M} - \frac{\sum_{i=1}^M vol_{it}}{M} \quad (5)$$

Selection effects and adaptation effects are therefore conceptually distinct, and between them, account for all of the change from average volatility at the beginning of the period (equation (1)) to average volatility at the end of the period (equation (2)).

2.2.2. *Adaptation mechanisms and short-term revenue volatility*

The literature highlighting adaptation mechanisms suggests that entrepreneurs and their organizations are able to learn and adapt their behavior to better cope with internal and external challenges (e.g., Covin et al., 2006; Minniti & Bygrave, 2001; Yli-Renko et al., 2001; Zahra et al., 2000). For performance-improving adaptation to occur, two conditions must be met. First, organizations must be flexible enough to allow for the implementation of change initiatives. Although this may be a problem for established organizations because of factors such as sunk costs, internal political resistance, taken-for-granted ways of thinking etc. (Hannan & Freeman, 1977), this is less of an issue for wholly new ventures. Second, organizational decision makers must be able to evaluate, with some level of accuracy, the appropriateness of change initiatives. The literature on organizational learning and entrepreneurial learning argues that new ventures are able to evaluate the appropriateness of various change initiatives and that, as a consequence, post-founding, entrepreneurs adapt based on the feedback they receive (Minniti & Bygrave, 2001). This literature claims not only that entrepreneurs learn from previous experiences (Baù et al., 2017), but also that new

ventures learn differently and more effectively than established organizations (e.g., Sapienza et al., 2006; Zahra et al., 2000).

If short-term revenue volatility has a negative effect on viability, then “learning” new ventures might be characterized as those reducing such volatility. This requires ventures to establish and maintain stable and recurrent relationships with customers which, in turn, lowers customers’ perceived uncertainty (Shepherd et al., 2000). Routinization lowers the error rate of production processes, and confers stability in relations with customers. Therefore, to reduce revenue volatility, new ventures need to develop routines to enter a rhythm of producing a regular output in a semi-automatic fashion, reducing the need for conscious interventions or interruptions to production runs brought about by searching for solutions to unanticipated problems and setbacks. Furthermore, the learning and adaptation literature suggests that, with time, the founder(s) and employees accumulate experience, which reduces the likelihood of unexpected disruptions to business operations. They may also learn about how customer preferences change, how to accommodate such changes and how to shift demand from peaks to troughs.

In addition, stable revenue streams depend on new venture capabilities of billing, collections and cash management (Wu & Knott, 2006), which we refer to as working cash management. Evidence, albeit from self-report data, of working cash management amongst SMEs is provided by Howorth and Westhead (2003). They find a great variability in practices among small and young ventures. Thus, given new venture learning, such practices would be expected to improve with time among surviving new ventures. Overall, therefore we hypothesize that:

H3a: Adaptation effects decrease average short-term revenue volatility in a cohort of new ventures

2.2.3. Selection mechanisms and short-term revenue volatility

Change in the composition of a cohort of ventures also occurs because the ventures exhibiting traits lowering their viability would be eliminated from the cohort more frequently. If Hypothesis 1 – that short-term revenue volatility is adversely related to new venture survival – is true, then, in a cohort of new ventures, those with higher short-term revenue volatility would exhibit higher mortality rates and thus face higher risks of being selected out of the cohort. Evolutionary theory therefore suggests that adverse selection based on short-term revenue volatility at the individual firm-level should translate into a reduction in the average volatility at the cohort level of analysis. We therefore hypothesize:

H3b: Selection effects decrease average short-term revenue volatility in a cohort of new ventures

In summary, H3a and H3b are not mutually-exclusive because adaptation and selection can each contribute to changes at the cohort level simultaneously. Such changes may go in opposite directions, but, if there is a change at the cohort level, this must be due to at least one of the mechanisms.

3. Data and Methodology

3.1. Sample and data

This study tracks 6578 new ventures over a 10-year period. It uses data from the customer records of Barclays Bank and includes all sectors, except financial services, and all regions in England and Wales. It identifies as new ventures those enterprises entering the Barclays Bank business customer base for the first time between March and May 2004. Established businesses that switch bank account activity from another bank are excluded. We are aware that a new venture does not always start trading immediately upon opening an account. Indeed, for Barclays' customers, approximately five percent of startups show no activity through their account in the subsequent 12 months. We addressed this by only

including ventures that showed activity in the month following entry to the customer base.^{7 8} At the time in 2004, just over one in four of all new ventures in England banked with Barclays. The new ventures that we follow all provided details about founder characteristics and sources of advice drawn upon in the formation process. This dataset comprises new venture account openings – it is not limited to those new ventures obtaining a bank service such as a loan or overdraft.

Data on the founder(s) are collected immediately prior to the account being opened. These data are derived from information provided by new venture owners with a strong incentive to comply truthfully, since they are setting up a bank account. This data covered gender and age, highest level of educational qualifications; prior business experience; previous ownership and/or ownership among immediate family members. Finally, to capture access to non-financial resources, owners were asked about the sources of advice and support they used prior to startup. This data was then supplemented by the bank as part of its general account-opening process. This covers the legal form of the business, the activity type (sector/branch/market) and its location (standard region) within the UK.

Our dataset is thus a large and representative sample of new ventures capturing the “short-life” new ventures (Batjargal et al., 2013). We use panel data where information on survivors and non-survivors is collected prior to start, and performance information is continuously collected once trading begins. The only post-start data used in this study is that on financial transactions, with all other data being collected at, or immediately prior to, start.

⁷We also included a small proportion of firms who did not show activity in their first full month, but did so in either May or June 2004. In these cases the start month of the firm was recorded as the month prior to activity.

⁸ The UK, unlike many countries in continental Europe, is not characterized by multiple banking (Ongena & Smith, 2000). Also, multiple banking is more a feature of large firms rather than micro and small firms. A 2017 UK commercial survey of business accounts opened for at least 12 months and with turnover less than £5m, found that 7% were multiple bankers. Our view is that this is much higher than for the current sample, partly because multiple banking increases with firm size and age and also because multiple banking has increased considerably since our 2004 start date until the time of this 2017 survey.

It therefore includes survivors and all non-survivors, but the latter group is also tracked for the full duration of time in which they traded.

3.2. Dependent and independent variables

Survival is the dependent variable in Hypothesis 1 and refers to the venture continuing operations, that is, the absence of exit. We do not distinguish between different types of exit (cf. Headd, 2003; Wennberg et al., 2010), nor do we frame exit in terms of individual or firm-level failure (Jenkins & McKelvie, 2016). In line with our theorizing in Section 2, the new ventures in our sample may close because they cannot meet their financial obligations, but much more likely is that their owners become employees, exit from the labor market or become unemployed. To reflect this diversity of outcomes we use the general terms “exit”, “closing the firm” or “death”, rather than failure or bankruptcy (Coad, 2014). Every six months, all dormant accounts were identified. If they continued to be dormant for another six months, it was assumed the exit took place at the start of the first six-month period. We checked exit routes and excluded ventures that were still trading, but had switched to another bank.

Our dependent variable for the testing of Hypothesis 2 is time spent in excess of overdraft (*OD XS time*), which is the proportion of time a new venture spends in excess of the allowed overdraft limit each year. For example, if a venture spends 15 days in excess of the overdraft limit then this would correspond to a value of 0.04 (i.e., 15/365).

Our main explanatory variable is short-term revenue volatility (*Volatility*). We operationalize short-term revenue volatility as the standard deviation in monthly revenue streams over a 12-month period divided by the mean monthly turnover for that period. The lowest possible value for volatility (i.e., 0.00) is achieved when the monthly revenue is constant (i.e., when the standard deviation is zero). The highest theoretically possible value

for volatility (i.e., $s/\mu = 3.4641$) occurs when all revenue is concentrated in one month.⁹ It is thus a measure of volatility that is conceptually distinct from the size of the new venture in the sense that it is the fluctuations relative to size that are captured, rather than standard deviation in an absolute sense.

3.3. *Control variables*

The size and growth of new ventures have been put forward as key determinants of a firm's survival chances (Le Mens et al., 2011). To measure the size of the business we used credit turnover: the value of payments into a current account,¹⁰ appropriately deflated to remove inflation.¹¹ This serves as a close approximation to sales revenue, inclusive of taxes, and so is the term used throughout the article. We have no information on the number of employees per year, only information on the number of owners at startup (72% of new ventures have just one owner, and a further 24% have just two owners). Therefore, our indicator of size is (the natural logarithm of) turnover over a period of 12 months (*Log_revenues*). Growth of revenues (*Gr_revenues*) for venture i in year t is measured in the usual way by taking log-differences (Törnqvist et al., 1985): $\text{Growth}(i,t) = \log(\text{size}(i,t) - \log(\text{size}(i,t-1)))$. The much greater granularity of turnover, compared with using measures of employee numbers, is a particular strength (see Shepherd & Wiklund's 2009 review). Alternative measures such as employment would be imperfect since most new ventures provide no employment – and particularly those that have a short life. For the survivors, employment is a “clunky” metric because taking on the first employee is a major

⁹ We clean the data by dropping any observations of volatility above the theoretical maximum of 3.4641. Values above 3.4641 could arise if a firm has negative revenue streams in any given month. Negative revenue streams could arise if, for example, a cheque received in the previous period is observed to bounce. There are only two cases of volatility above 3.4641, and these two cases are treated as outliers and dropped from the analysis.

¹⁰ Excluding payments from related accounts, e.g., deposit accounts held by the business.

¹¹ Deflation is undertaken using World Bank data for the consumer price index for the United Kingdom (GBR): see <https://data.worldbank.org/indicator/FP.CPI.TOTL?locations=GB> (last accessed 19th July 2018).

discontinuity. Furthermore, our measure is reliable and comprehensive because every financial transaction going through this account is documented.

We also control for the ‘usual suspects’ that previous work has identified as having an influence on new venture survival (and entrepreneurial performance more generally). These include legal form, age, industry and region of the firm; and number, age, education and previous business experience of the owner(s). Legal form has been shown to be a significant determinant of new venture outcomes, with companies and partnerships generally having higher survival rates than sole proprietorships (Storey, 1994). Likewise, firm age is known to affect viability (Stinchcombe, 1965). We therefore control for legal form (*LegalF*) and firm age (*Firm age*). We also include region and industry dummies (*Region* and *Industry*) in our regressions (Ahlers et al., 2015) to control for region-specific and industry-specific components of survival and firm performance that might be common across firms in the same region or industry (e.g., Dencker et al., 2009; Botham & Graves, 2011).

Founder age is expected to have a broadly positive relationship with new venture survival (Baù et al., 2017) being lowest amongst the young and inexperienced (Parker 2018), hence we control for founder age (*Founder age*) and founder age squared (*Founder age_sq*). The number and the gender of owner(s) are controlled for (*No. owners*, *Male owners* and *Female owners*), because a case has been made that they affect new venture survival (Klotz et al., 2014). The education of the founder (Parker, 2018) and also the amount of previous (personal or parental) business experience (Gimeno et al., 1997; Dencker et al., 2009) are seen by some to capture different dimensions of human capital, and perhaps higher levels of entrepreneurial skills and capabilities, thus enhancing the survival of the business (variables

Education, *Parental bus. exp.*, and *Personal bus. exp.*).¹² There is more mixed evidence on the role played by sources of advice used by founders and new venture survival and performance (Chrisman & McMullan, 2004; Pons Rotger et al., 2012; Solomon et al., 2013), but to allow for a possible influence of these variables we include dummies for different sources of advice (*Sources of advice*). We also include control variables relating to financial management, that have not usually been included in previous investigations for reasons of data limitations; these variables relate to the authorized and unauthorized use of overdraft facilities: *OD limit*, *OD limit use*, *OD limit extent*, *OD XS*, and *OD XS time*. All variables used are further explained in Table 1, and descriptive statistics are provided in Table 2.

3.4. Statistical tests and hypothesis testing

Hypothesis 1 is tested by investigating the relationship between short-term revenue volatility and new venture survival, controlling for a range of other possible influences. Because short-term revenue volatility is calculated over a one-year period based on monthly revenue, it requires a new venture to survive for the full period to allow for meaningful calculation. Consequently, we investigate the relationship between lagged short-term revenue volatility and survival, for each year. That is, we investigate the relationship between short-term revenue volatility in year $t-1$ and survival in year t . Survival is a dichotomous variable, observed for each year, so we use discrete-time logistic duration models (Coad et al., 2013; Jenkins, 1995; Wiklund, et al., 2010). Hypothesis 2 is tested by investigating the relationship between short-term revenue volatility and time spent in excess of the overdraft limit, controlling for other influences.

¹² Higher education levels may also signal that entrepreneurs have attractive outside options and may thus be more prepared to close their venture after unsatisfactory performance than those with fewer options (Gimeno et al., 1997; Parker, 2018).

Results are shown in Table 3 and illustrated in Figure 1. Ordinary Least Squares (OLS) regressions for testing Hypothesis 1 are presented,¹³ together with panel ‘within’ regressions that control for possible unobserved time-invariant components in overdraft behavior, by including firm-specific ‘fixed effects’ (Wooldridge, 2010). Possible multicollinearity was investigated by inspecting the correlation matrix and the VIF statistics, and was deemed not problematic.¹⁴ The inclusion of lagged variables means we can only present regression results from year 3 onwards.

Selection was investigated by comparing those ventures that selected out of the cohort with those surviving, and the effects of adaptation by comparing surviving ventures to themselves over time (as outlined in section 2.1). Support for Hypotheses 3a and 3b would require that any decrease in volatility over time, due to selection or adaptation, should be statistically significantly different from zero. The results are presented in Table 4 and Figure 2. To address issues associated with regression to the mean (Chen & Chen, 2010), we assess the general trend in adaptation for those surviving for the full duration of our study, presented in Figure 3.

¹³ Time spent in excess of the overdraft limit is a right-skewed variable. Further analysis with a $\log(1+x)$ transformation of the dependent variable was therefore undertaken, and yielded similar results.

¹⁴ The present discussion of multicollinearity focuses on the baseline estimates in column 2, for the full sample. Overall, the mean VIF was 4.75, which is admittedly on the high side. This is mainly due to the inclusion of age and age-squared in the same regression model, for which the VIF statistics were 49.73 and 49.05, respectively. In a few cases, industry dummies had high VIF statistics, which is not unusual (see also e.g., Ahlers et al., 2015, page 973 on this point). When excluding the age-squared variable and those industry dummies with high VIF statistics, one obtains similar regression results, and moreover one obtains a mean VIF of 1.69, with the highest VIF scores observed for 'odlim_use' (lagged), 'odlim_hold' (lagged) and region_dummy_3 (VIF statistics were 5.68, 4.36 and 3.54 respectively). These VIF scores are all below the usual threshold value of 10 (as suggested by e.g., Kennedy, 1998).

Table 1 Variable definitions

Variable	Description
<i>Volatility</i>	Short-term revenue volatility (SD of monthly turnover/mean monthly turnover)
<i>Log_revenues</i>	Natural logarithm of credit turnover during focal year. Values are expressed in 2004 GDP by applying the World Bank's Consumer Price Index deflator for the UK, taking 2004 as the benchmark.
<i>Gr_revenues</i>	Change in natural logarithm of credit turnover between focal year and previous year
<i>LegalF</i>	Legal form of business: 1 = Company‡, 2 = Partnership, 3 = Sole Trader
<i>Industry†</i>	Business activity: 1 = Agriculture, 2 = Manufacturing, 3 = Construction, 4 = Retail, 5 = Transport, 6 = Accommodation, 7 = Information, 8 = Real Estate, 9 = Professional, 10 = Administrative, 11 = Education, 12 = Health, 13 = Arts, 14 = Other. Converted into dummy variables, one for each industry.
<i>Region†</i>	Region: 1 = East Midlands, 2 = East of England, 3 = London, 4 = North East, 5 = North West, 6 = South East, 7 = South West, 8 = West Midlands, 9 = Yorkshire and The Humber, 10 = Wales. Converted into dummy variables, one for each region.
<i>Firm age†</i>	Dummy variable for each individual year.
<i>No. owners</i>	Number of owners
<i>Male owners</i>	Male owner(s) only: 0 = No, 1 = Yes
<i>Female owners</i>	Female owner(s) only: 0 = No, 1 = Yes
<i>Founder age</i>	Mean age of owner(s) at startup
<i>Founder age_sq</i>	Square of <i>Founder age</i>
<i>Education</i>	Highest level of educational attainment by owner(s), in terms of the National Vocational Qualification (NVQ) scale: 1 = <NVQ2‡, 2 = NVQ2, 3 = NVQ3, 4 = NVQ4+
<i>Parental bus. exp.</i>	Previous business experience, Family: 0 = No, 1 = Yes
<i>Personal bus. exp.</i>	Previous business experience, Owner: 0 = No, 1 = Yes
<i>Sources of advice</i>	
<i>EABL</i>	Advice/support, Enterprise Agency/Businesslink: 0 = No, 1 = Yes
<i>Accountant</i>	Advice/support, Accountant: 0 = No, 1 = Yes
<i>Solicitor</i>	Advice/support, Solicitor: 0 = No, 1 = Yes
<i>College</i>	Advice/support, College: 0 = No, 1 = Yes
<i>SR seminar</i>	Advice/support, (Barclays) Start Right Seminar: 0 = No, 1 = Yes
<i>PYBT</i>	Advice/support, Prince's Youth Business Trust: 0 = No, 1 = Yes
<i>Family</i>	Advice/support, Family/friends: 0 = No, 1 = Yes
<i>Other</i>	Advice/support, Other source(s): 0 = No, 1 = Yes
<i>OD limit</i>	Approved overdraft limit available during (all or part of) year: 0 = No, 1 = Yes
<i>OD limit use</i>	Use of approved overdraft limit during focal year: 0 = No, 1 = Yes
<i>OD limit extent</i>	Average maximum proportion of approved overdraft limit used during focal year
<i>OD XS</i>	Excess use of overdraft during year x: 0 = No, 1 = Yes
<i>OD XS time</i>	Proportion of time spent in excess of overdraft limit during focal year
<i>FinDef</i>	Binary variable. Takes value 1 if the firm is recorded as entering financial default at any point in the year, otherwise takes value 0. Used as an alternative dependent variable in the robustness analysis.

†Included in regression, but results not reported due to space limitations

‡Used as reference in regression thus omitted

Table 2 Summary statistics for year 1.

Variable	Mean	median	SD	Skewness	kurtosis	Min	max	N
Founder age	39.039	38.15743	10.224	0.424	2.753	16.19713	78.16016	6569
No. owners	1.322	1	0.578	2.128	9.410	1	6	6561
Male owners	0.669	1	0.471	-0.719	1.517	0	1	6561
Female owners	0.190	0	0.393	1.576	3.485	0	1	6578
Education_1	0.228	0	0.419	1.300	2.689	0	1	6578
Education_2	0.332	0	0.471	0.716	1.512	0	1	6578
Education_3	0.171	0	0.377	1.747	4.053	0	1	6578
Education_4	0.270	0	0.444	1.037	2.075	0	1	6578
Parental bus. exp.	0.633	1	0.482	-0.552	1.305	0	1	6578
Personal bus. exp.	0.720	1	0.449	-0.982	1.965	0	1	6578
Sources of advice								
EABL	0.102	0	0.303	2.625	7.888	0	1	6578
Accountant	0.362	0	0.480	0.577	1.332	0	1	6578
Solicitor	0.049	0	0.215	4.188	18.544	0	1	6578
College	0.040	0	0.196	4.696	23.053	0	1	6578
SR seminar	0.007	0	0.086	11.457	132.252	0	1	6578
PYBT	0.014	0	0.116	8.422	71.924	0	1	6578
Family	0.300	0	0.458	0.871	1.758	0	1	6578
Other	0.064	0	0.245	3.563	13.693	0	1	6578
LegalF_1 (Company)	0.372	0	0.483	0.530	1.281	0	1	6578
LegalF_2 (Partnership)	0.133	0	0.340	2.155	5.646	0	1	6578
LegalF_3 (Sole trader)	0.495	0	0.500	0.022	1.000	0	1	6578
Revenue (2004 GBP)	114110.300	38734	508723.300	46.439	2805.061	31	31963724	5523
Volatility	0.843	0.676	0.601	1.679	6.282	0	3.464	5523
OD limit	0.195	0	0.396	1.538	3.366	0	1	6578
OD limit use	0.186	0	0.389	1.611	3.596	0	1	5523
OD limit extent	0.041	0	0.118	3.658	17.714	0	0.93	5523
OD XS	0.407	0	0.491	0.377	1.142	0	1	5523
OD XS time	0.041	0	0.103	3.754	19.837	0	1	5523

4. Results

4.1. Revenue volatility and firm performance

Table 3 column (2) shows our baseline results: that short-term revenue volatility in one year is a strong predictor of new venture exit the following year. Hypothesis 1 is therefore supported. Figure 1 depicts the mortality rates for the new ventures in our sample from year 3 to year 10 for new ventures with low (high) volatility, using estimates from cross-sectional year-wise regressions (not shown here), based on whether the observation is in the lowest (highest) tercile of the volatility distribution for the preceding year. While revenue volatility has large and statistically significant effects on survival, there is no strong relationship between the studied human capital variables (i.e. previous business startup experience or education) and new venture survival.¹⁵ In further analysis (not shown here), the coefficients, and thus the odds ratios, for the impact of volatility on venture survival was relatively stable

¹⁵ These results are in tune with a growing number of studies that show that human capital measures are weak predictors of new venture performance, see Storey & Greene (2010) for a review and Unger et al. (2011) for a meta study.

over the years and there was no clear trend in its development.¹⁶ Thus, there is no indication that the adverse effects of short-term revenue volatility on venture survival tend to decrease with time.

Columns (8) and (9) of Table 3 show that short-term revenue volatility is positively related to the time spent in excess of the overdraft limit, and this effect is statistically significant. Hypothesis 2 is supported and implies that an increase in short-term revenue volatility of 1 standard deviation is associated with an increase of time in unauthorized overdraft excess of 7.67 days.¹⁷

4.2. Robustness analysis for firm-level regressions

Columns (3) and (4) show that similar results are obtained for subsamples of small and large firms (i.e. firms with below-median or above-median sales in their first year), although – interestingly – the coefficient on revenue volatility is slightly larger in magnitude for the subsample of firms with larger initial size. One possible concern could be that some firms have revenue models that are affected by intermittent seasonal demand, such that they have zero sales in some months and positive sales in other months. We verify that seasonality is not a major factor by repeating the analysis on a restricted subsample of firms with non-zero sales in each of the 12 months in a year. Column (5) of Table 3 presents these results, for the subsample of firms with non-zero revenues in each of the 12 months of the year. For this

¹⁶ Further analysis of cross-sectional year-wise regressions shows that the weakest effect was seen in year 8, -0.55 and the strongest effect in year 9, -0.89. The regression line of the fitted coefficient values takes the following form: coefficient for volatility = $-.5973334 - .0130833 \text{ year}$, where the t-statistic for the coefficient on year is -0.73. $F(1, 6) = 0.54$, Adjusted R-squared = -0.0710. Hence the slope of the regression line is far from statistically significant but, if anything, the tendency is towards a more adverse effect of short-term revenue volatility on survival.

¹⁷ The coefficient on volatility in columns (8) and (9) is around 0.035. This means that as volatility increases by one standard deviation (i.e. by 0.601, see Table 2), then the OLS regression dependent variable ODXS_time would increase by $0.601 \times 0.035 = 0.021035$. This increase of 0.021 corresponds to an increase of ODXS_time (in terms of days) of $0.021 \times 365 = 7.665$ days. Hence, a one standard-deviation increase in revenue volatility corresponds to an increase of time in unauthorized overdraft excess of 7.665 days. This is a large effect size, if we consider that the median firm stays in unauthorized overdraft excess for 0 days and the average is 15 days. An increase of 7.665 days corresponds to an increase of over 50% of the average time in excess of new ventures.

subsample, the coefficient on volatility remains negative and significant, and actually increases substantially in magnitude. This provides assurance that our results are not being driven by a category of firms with zero sales in some months, but that revenue volatility is detrimental to survival even among a subsample of firms that have non-zero revenues in every month of the year. To address concerns that our results are influenced by ‘successful exits’, we repeat our survival regressions by taking financial default (*FinDef*), rather than *Survival*, as an alternative dependent variable (see Table 1 for a variable description). Column (6) shows that *Volatility* is statistically significantly related to entry into financial default.

Finally we explored the robustness of our results by repeating our analysis on industry-disaggregated subsamples but obtained broadly similar results.¹⁸ To address the concern that industry dummies are an imperfect way to account for sectoral heterogeneity we also created a firm-specific baseline volatility (taking the average for revenue volatility in a firm’s first 5 years) and then regressed survival on a firm’s idiosyncratic deviations from its firm-specific volatility benchmark. This further confirmed that higher-than-usual volatility decreases a firm’s survival chances. We also repeated our analysis by dropping outliers at both ends of the revenue volatility distribution (with thresholds of 1% and 5% at each end), and again obtained similar results, which are available from the authors upon request.

¹⁸ In all but 2 out of 14 industry subsamples, volatility has a negative and significant effect on subsequent survival (the industries with no statistically significant effects had relatively few observations).

Table 3 Regression results

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Dependent variable	survival	survival	survival	survival	survival	FinDef	OD XS time	OD XS time	OD XS time
Model	controls	all	small	large	nonzero	all	controls, OLS	all, OLS	all, FE
Founder age	0.0614** (0.0144)	0.0683** (0.0147)	0.0752** (0.0199)	0.0747** (0.0220)	0.0727** (0.0265)	-0.0290 (0.0341)	-0.00148 (0.000792)	-0.00174* (0.000787)	
Founder age_sq	-0.000638** (0.000170)	-0.000702** (0.000173)	-0.000783** (0.000236)	-0.000759** (0.000258)	-0.000810** (0.000313)	0.000231 (0.000416)	5.60e-06 (9.09e-06)	8.16e-06 (9.04e-06)	
No. owners	-0.0283 (0.0497)	0.0166 (0.0504)	-0.0332 (0.0910)	0.0504 (0.0622)	0.129 (0.0973)	-0.170 (0.126)	-0.000832 (0.00188)	-0.00304 (0.00186)	
Male owners	-0.296** (0.0812)	-0.279** (0.0819)	-0.369* (0.149)	-0.221* (0.102)	-0.253 (0.158)	0.0189 (0.184)	0.00760* (0.00331)	0.00668* (0.00328)	
Female owners	-0.474** (0.0944)	-0.487** (0.0954)	-0.645** (0.159)	-0.363** (0.131)	-0.615** (0.181)	-0.0200 (0.215)	-0.00344 (0.00421)	-0.00326 (0.00419)	
Education_2	0.0261 (0.0605)	0.0319 (0.0612)	-0.0153 (0.0858)	0.0523 (0.0894)	-0.170 (0.114)	-0.213 (0.124)	-0.00907** (0.00301)	-0.00890** (0.00298)	
Education_3	-0.0393 (0.0714)	-0.00417 (0.0723)	-0.0258 (0.105)	-0.00973 (0.102)	-0.0625 (0.137)	-0.252 (0.152)	-0.0116** (0.00341)	-0.0131** (0.00339)	
Education_4	-0.0522 (0.0674)	0.0410 (0.0689)	-0.00486 (0.101)	0.0744 (0.0966)	0.0798 (0.133)	-0.111 (0.142)	-0.00971** (0.00326)	-0.0138** (0.00325)	
Parental bus. exp.	0.00278 (0.0470)	1.79e-05 (0.0479)	0.00479 (0.0674)	-0.00263 (0.0697)	-0.0985 (0.0905)	-0.104 (0.0993)	0.00259 (0.00213)	0.00260 (0.00211)	
Personal bus. exp.	-0.0132 (0.0532)	0.0127 (0.0541)	-0.00107 (0.0709)	-0.00417 (0.0852)	-0.0402 (0.0996)	-0.0237 (0.118)	0.0116** (0.00260)	0.0103** (0.00257)	
Sources of advice									
EABL	0.101 (0.0794)	0.0751 (0.0814)	0.220* (0.105)	-0.175 (0.126)	0.131 (0.152)	0.0218 (0.167)	0.00637 (0.00392)	0.00703 (0.00390)	
Accountant	0.0168 (0.0483)	0.0138 (0.0491)	0.0587 (0.0732)	-0.0168 (0.0686)	-0.196* (0.0911)	-0.112 (0.105)	0.00698** (0.00222)	0.00681** (0.00220)	
Solicitor	-0.0963 (0.106)	-0.0681 (0.108)	-0.219 (0.169)	0.0579 (0.152)	0.0514 (0.205)	0.495* (0.212)	-0.00258 (0.00499)	-0.00361 (0.00493)	
College	0.318** (0.121)	0.316* (0.126)	0.410* (0.166)	0.158 (0.188)	0.177 (0.222)	0.299 (0.214)	0.00108 (0.00551)	0.00244 (0.00545)	
SR seminar	-0.188 (0.296)	-0.157 (0.311)	-0.442 (0.397)	0.408 (0.489)	-0.821 (0.491)	-0.368 (0.543)	0.0632** (0.0244)	0.0588* (0.0242)	
PYBT	0.122 (0.243)	0.106 (0.253)	0.0677 (0.277)	-0.0499 (0.624)	-0.116 (0.478)	-0.406 (0.511)	0.0363* (0.0176)	0.0350* (0.0172)	
Family	0.0105 (0.0514)	-0.00247 (0.0521)	0.0104 (0.0731)	-0.00824 (0.0759)	-0.0673 (0.0939)	-0.0179 (0.108)	0.00737** (0.00254)	0.00789** (0.00252)	
Other	-0.0835 (0.0935)	-0.0897 (0.0953)	-0.163 (0.125)	-0.0619 (0.149)	-0.133 (0.178)	0.350* (0.177)	0.00675 (0.00461)	0.00645 (0.00460)	
LegalF_2 (Partnership)	-0.347** (0.0788)	-0.486** (0.0797)	-0.337* (0.138)	-0.601** (0.104)	-0.564** (0.155)	-0.234 (0.188)	-0.00330 (0.00366)	0.00335 (0.00364)	
LegalF_3 (Sole trader)	0.0771 (0.0585)	-0.0192 (0.0596)	0.0726 (0.0900)	-0.123 (0.0835)	-0.0702 (0.113)	0.0962 (0.122)	0.00576* (0.00279)	0.00992** (0.00276)	
Log_revenues (lagged)	0.198** (0.0186)	0.0681** (0.0194)	0.136** (0.0339)	0.0536 (0.0324)	0.145** (0.0410)	0.147** (0.0403)	-0.0198** (0.00101)	-0.0134** (0.00102)	-0.0256** (0.00346)
Gr_revenues (lagged)	0.354** (0.0327)	0.272** (0.0300)	0.208** (0.0442)	0.265** (0.0459)	0.484** (0.0735)	-0.0979 (0.0535)	-0.0233** (0.00232)	-0.0196** (0.00227)	-0.00322 (0.00245)
Volatility (lagged)		-0.648** (0.0376)	-0.478** (0.0516)	-0.853** (0.0569)	-1.121** (0.0825)	0.154* (0.0756)		0.0348** (0.00268)	0.0340** (0.00368)
OD limit (lagged)	0.102 (0.100)	0.0606 (0.100)	-0.0719 (0.179)	0.117 (0.127)	0.182 (0.183)	0.653** (0.191)	0.0632** (0.00613)	0.0637** (0.00607)	0.0527** (0.00857)
OD limit use (lagged)	-0.0645 (0.117)	-0.00530 (0.117)	0.142 (0.213)	-0.0525 (0.145)	0.234 (0.216)	0.378 (0.205)	-0.0307** (0.00652)	-0.0322** (0.00646)	-0.0409** (0.00695)
OD limit extent (lagged)	0.0475 (0.157)	-0.0560 (0.158)	-0.153 (0.279)	0.00644 (0.195)	-0.334 (0.290)	0.468 (0.264)	-0.0732** (0.00484)	-0.0681** (0.00480)	-0.0872** (0.00797)
OD XS (lagged)	-0.302** (0.0511)	-0.302** (0.0520)	-0.213** (0.0756)	-0.373** (0.0731)	-0.235* (0.0970)	1.701** (0.149)			
OD XS time (lagged)	-1.797** (0.144)	-1.613** (0.145)	-1.607** (0.191)	-1.737** (0.231)	-1.690** (0.282)	3.218** (0.206)			
Observations	18,219	18,219	7,803	10,416	10,960	18,219	19,425	19,425	19,425
Number of panel ID									4,146
Adjusted R2							0.132	0.147	0.146
Pseudo R2	0.131	0.150	0.131	0.172	0.181	0.228			
Log likelihood	-6997	-6841	-3263	-3530	-2257	-1920	10526	10697	20302
Log likelihood, constant only	-8052	-8052	-3757	-4263	-2756	-2488	9122	9122	18756

Notes: Constant term, and also region and industry dummies and firm age dummies (i.e., year dummies) are included in the regressions, but not reported here. Robust standard errors in parentheses. Key to significance stars: **: p<0.01, *: p<0.05.

Figure 1. Mortality rates across years, for firms with high or low revenue volatility

Notes: Mortality rates in year t based on marginal effects of being in a high or low volatility tertile in year $t-1$, where all other variables are fixed at their mean values. Thick solid line: ventures in the lowest tertile of revenue volatility. Thick dashed line: ventures in the highest tertile of revenue volatility. Thin dashed lines denote 95% confidence intervals. New ventures are classified as having low (high) volatility, based on whether the observation is in the lowest (highest) tertile of the volatility distribution for that specific year.

Figure 2. Decomposing the aggregate change in volatility into selection effects and adaptation effects.

Table 4: Decomposing the changes in the cohort's average revenue volatility into between and within effects, during the period t:t+s

	s=2	s=3	s=4	s=5	s=6	s=7	s=8	s=9	s=10
Average initial volatility	0.843	0.843	0.843	0.843	0.843	0.843	0.843	0.843	0.843
SE of the mean	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008	0.008
No. obs	5523	5523	5523	5523	5523	5523	5523	5523	5523
Average initial volatility (at t=1) of survivors until year s	0.774	0.765	0.745	0.733	0.730	0.727	0.728	0.729	0.732
SE of the mean	0.009	0.010	0.011	0.011	0.012	0.013	0.014	0.014	0.015
No. obs	4161	3209	2592	2151	1822	1604	1424	1311	1208
Average final volatility (at t=s) of survivors until year s	0.823	0.809	0.794	0.791	0.777	0.734	0.707	0.716	0.703
SE of the mean	0.010	0.012	0.013	0.014	0.015	0.015	0.016	0.017	0.017
No. obs	4161	3209	2592	2151	1822	1604	1424	1311	1208
Share of the reduction in volatility due to selection	334.16%	226.84%	197.97%	211.19%	171.28%	106.22%	84.67%	89.50%	78.87%
t-test p-values for selection	**	**	**	**	**	**	**	**	**
Share of the reduction in volatility due to adaptation	-234.16%	-126.84%	-97.97%	-111.19%	-71.28%	-6.22%	15.33%	10.50%	21.13%
t-test p-values for adaptation	NA	NA	NA	NA	NA	NA	NS	NS	NS

** p<0.01, * p<0.05, NS p>0.05, NA: not applicable

4.3. Selection and adaptation

Figure 2 and Table 4 present the evolution of revenue volatility over different timescales as outlined in section 2.1. t-tests show that the reduction of volatility due to selection is statistically significant in each year. t-tests also show that the reduction in *Volatility* due to adaptation is never statistically significant. In fact, at shorter timescales of one to six years, *Volatility* appears to be rising slightly within surviving new ventures, instead of decreasing, indicating ‘negative’ adaptation effects.

Our interpretation of this is based on the idea that less *Volatility* is preferable, given how strongly *Volatility* predicts venture exit. However, if there is an element of randomness to short-term revenue volatility, which is also reasonable, then an increase in such volatility among survivors could be explained by regression to the mean effects (Chen & Chen, 2010).¹⁹ Table 4 and Figure 2 do not therefore disprove non-random adaptation effects but suggest that, if such effects exist, they are offset by a regression to the mean effect.

¹⁹ Regression to the mean explains why those that exhibit high or low volatility are likely to experience less extreme volatility (not as high and not as low respectively) in a subsequent time period; however, those with high volatility are more likely to have been weeded out of the sample, thus leaving survivors that are likely to exhibit higher volatility compared to themselves in the previous period.

To test for other signs of positive adaptation effects, we investigated the trend in short-term revenue volatility among those we know survived for the full ten-year period. This graph is presented in Figure 3, where it is juxtaposed to the development of short-term revenue volatility for the whole sample (including those new ventures that are eventually selected out of the sample).

Figure 3. Trends in short-term revenue volatility.

NOTES: Regression lines come from pooled OLS of short-term revenue volatility on years since entry, for the two groups.

For the balanced panel of new ventures that survives for the entire period, the trend is actually slightly *positive*, but it is not statistically significant.²⁰ Thus, there is no evidence that adaptation effects lead to a statistically significant reduction in short-term revenue volatility. Consequently, Table 4, Figure 2 and Figure 3 all support the hypothesis that selection effects reduce short-term revenue volatility over time, but reject the hypothesis that adaptation

²⁰ For a pooled OLS regression of volatility on years since entry, with 12080 observations (i.e. firms surviving until the end of the 10 year period), the regression output is: constant = 0.657, slope = 0.00047, $F(1, 12078) = 0.07$, p-value for the F-statistic = 0.788.

effects reduce short-term revenue volatility. Therefore, we find support for Hypothesis 3a, but not for Hypothesis 3b.

For the full sample (unbalanced panel, where ventures in the cohort exit due to attrition) the trend in Figure 3 is statistically highly significant, but the effect size is small:²¹ over a ten year period, average short-term revenue volatility decreases by 0.16, which corresponds to roughly a quarter of a standard deviation. Such a reduction in *Volatility* is small but meaningful. A reduction in *Volatility* of 0.16 corresponds to a reduction in the odds of dying (based on the average effect of volatility over the studied period) of roughly 10%.

5. Discussion

This study takes important steps towards obtaining a better understanding of the effects of short-term revenue volatility and how such volatility develops over time in a cohort of new ventures. We now review and interpret our findings and suggest directions for future research. We begin with its implications for theories of the liability of newness and smallness. A second subsection examines its links to performance and uncertainty. In the third subsection, we offer our views on how it links with evolutionary theory. We then discuss practical implications and conclude by discussing the generalizability of our results.

5.1. Short-term revenue volatility and the liabilities of newness and smallness

This article has made the case that short-term revenue volatility is a liability in its own right which is distinct from, but related to, the liabilities of smallness and newness. We show that venture age, size and short-term revenue volatility are interrelated; but they are also distinct constructs in the sense that they are conceptually easy to distinguish, they are not perfectly empirically correlated, they contribute distinct risks (i.e., each is associated with

²¹ For a pooled OLS regression of volatility on years since entry, with 25059 observations, the regression output is: constant = 0.857, slope = -0.0156, $F(1, 25057) = 121.47$, p-value for the F-statistic < 0.0001.

higher mortality risks holding the others constant) and the liabilities associated with them are based on different theoretical foundations (although with some similarities).

Smallness is associated with higher mortality rates because small ventures have fewer buffer resources and because their stakeholders, such as customers, lenders and employees perceive them as riskier (Aldrich & Auster, 1986; Freeman, et al., 1983). We theorize that volatility is associated with higher mortality rates because high volatility requires more buffer resources and, similarly to smallness, volatility increases perceived risks among stakeholders. We also theorize that volatility decreases the perceived value of a new venture in the eyes of the owner(s), so reducing its viability (Coad, 2014). For these reasons, there are similarities between the theoretical underpinnings of the liability of volatility and those of the liabilities of newness and smallness, but these underpinnings are distinct.

Empirically, there are links, but also differences, between the constructs. The differences are clearest when analyses are at the cohort and at the firm level are juxtaposed. At the cohort level, short-term revenue volatility is correlated both with age and with size (for the latter, see Correlation table in the Appendix). At the firm level, however, there is no evidence that firms learn to reduce short-term revenue volatility, or its adverse effects, over time. Smallness, by contrast, has been shown to be related to age at both levels of analysis (Coad, 2018).

It is also important to note that short-term revenue volatility in one year is a stronger predictor of venture exit in the following year than size. The effect of size (*Log_revenues*) decreases substantially when *Volatility* is included (see Table 3, Column 1 and 2) and the yearly logistic regressions (results available from the authors) show that size is only intermittently statistically significant when *Volatility* is also included in the model, implying that an important benefit of size is that it provides more stable revenue streams.

5.2. The effects of short-term revenue volatility on performance and its links to uncertainty

In addition to predicting new venture exit, we find that short-term revenue volatility also predicts the time a venture spends in excess of its overdraft limit. This suggests that part of the negative effect of short-term revenue volatility on venture survival reflects the depletion of financial buffers, supporting such untested claims in previous studies (Wiklund et al., 2010). Although our regression-based findings are unable to establish the precise causal mechanisms (depletion of resource buffers, reduced perceived value or other explanations) we know that volatility precedes exit (i.e., it is the effect of volatility in the preceding year on the survival chances in the focal year that we study).

The inclusion of a large set of controls, and the additional robustness tests, reveal that volatility has a negative effect on new venture survival even for new ventures that are comparatively large, growing, and are able to meet their immediate financial obligations. The finding that short-term revenue volatility predicts new venture exit, even after controlling for borrowing behavior, suggests that volatility reduces the relative viability of the ventures, rather than acting solely to exhaust buffer resources.

We have theorized four mechanisms, (i) volatility makes it harder to plan ahead; ii) volatility adds psychological stress; iii) volatility adds a risk premium; iv) volatility raises average costs), by which short-term revenue volatility decreases the relative viability of new ventures. While some of these mechanisms are conceptually distinct from uncertainty (e.g., various adjustment costs), several of the mechanisms are associated with increased levels of uncertainty (e.g., about demand and scale and scope of required resources). The idea that increased perceived uncertainty explains exit is in line with findings that perceived uncertainty inhibits entrepreneurial behavior and that demand uncertainty leads to smaller scale launches (McKelvie et al., 2011). If this is the case, then this points to a potential positive feedback loop in that perceived uncertainty leads to smaller startup size, which leads

to more volatility, which leads to increased perceived uncertainty. Our theorizing also suggests that, while uncertainty is inherently intertwined with the concept of entrepreneurship (Knight, 1921), more uncertainty may in fact inhibit new venture viability. These findings remain in line with ideas such as that entrepreneurs have a higher tolerance for uncertainty (or related constructs such as ambiguity and risk).²² If entrepreneurship is inherently associated with uncertainty, then it follows that entrepreneurs can bear some uncertainty, but it does not follow that they prefer more over less.

We consider it important for future research to clarify how uncertainty influences and interacts with key entrepreneurial processes (McKelvie et al., 2011). Our study points to the importance of asking how short-term revenue volatility influences perceived uncertainty and how such uncertainty influences stress, job satisfaction and perceived investment value. Finally, we need to better understand the consequences for new venture survival of spikes of extreme volatility compared to long periods of elevated volatility.

5.3. Contributions to evolutionary theory in entrepreneurship and organization studies

Our results show that selection effects decrease average short-term revenue volatility of the cohort over time, whereas this is not the case for learning or adaptation. It is, of course, possible that surviving ventures comprise subgroups that systematically develop in different directions. For example, some might focus on reducing volatility, whereas others might increase their tolerance for volatility through building buffer resources. If this were the case, then we would expect to see a trend towards diminished adverse effects of volatility as reflected in the odds ratio in the regression of short-term revenue volatility on new venture survival. We examined this and found that an increase in one unit of volatility to be equally

²² Alternative, yet consistent ideas are that entrepreneurs are more optimistic (Baron, 1998) or less able to perceive risk or uncertainty (Simon, Houghton and Aquino, 2000).

detrimental in year 3 and in year 10 (results available from the authors), and so this theory was not supported.

Skepticism about adaptation mechanisms is not new but has been justified previously by pointing to the inherent inertia within large and old organizations (Hannan & Freeman, 1977; 1984). Such inertia is considerably less relevant for new ventures and this is confirmed in our results, which show short-term revenue volatility does change for individual ventures.²³ A potentially more valid argument against adaptation, which better reflects our findings, is the role of uncertainty and complexity (Knight, 1921; McKelvey, 2004). From this perspective new ventures can change, but face uncertainties about market conditions, about their own resources and capabilities, and about how to organize their resources to meet expectations. As a consequence, the entrepreneurial context is too uncertain for founders or their organizations to discern predictable cause-effect relationships from which to make valid inferences (Frankish, et al., 2013). That is, learning is most effective when repeat situations occur, but the diversity of situations faced by a new venture makes learning improbable. Consequently, organizations are able to change, but the change is unlikely to improve organizational performance in predictable and consistent ways (Lundmark & Westelius, 2014). The behavior of organizations can shift markedly from quarter year to quarter year, but without any necessary improvement because the owners are unable to determine what works and what does not with any level of satisfactory accuracy.

Rather, our results indicate that configurations that (for whatever reason) exhibit lower short-term revenue volatility are favored by selection mechanisms. These patterns emerge over time in a cohort of thousands of new ventures and the specifics of these configurations are likely not something entrepreneurs would be able to recognize, if they

²³ Although it is not systematically reduced as the average remains the same in the cohort.

“accidentally” manifested in their own ventures, let alone spot in other ventures and imitate. This is important, as previous research incorporating both adaptation and selection mechanisms has tended to study changes to salient attributes such as types of services offered, or the types of niches occupied (Baum & Singh, 1996; Delacroix & Swaminathan, 1991; Usher & Evans, 1996). Adaptation of such attributes are easier to observe, and firms can therefore more easily assess how firms with different attributes fare in the marketplace and then adopt those that appear more favorable (although such imitation does not guarantee success, see Nelson et al., 2004).

Our results also hint at the possibility of “negative” adaptation during the first few years of venture existence, in the sense that entrepreneurs may systematically tend to “learn” things that negatively affect their ventures’ viability (Lundmark et al., 2019). That is, there may be particular patterns in what entrepreneurs infer from common experiences, and some such inferences may do more harm than good. This is in line with several studies pointing to previous business ownership experience lowering (Nielsen & Sarasvathy, 2016; Rocha et al., 2015) or having no influence on venture viability (Yang & Aldrich, 2017). While our results should therefore not be taken as evidence of negative learning, they do, together with other recent research, suggest that such links should be investigated further.

Our findings also provide insights into the longitudinal effects of selection mechanisms in the early years of the venture life cycle (Delmar et al., 2013). When the mortality rates are of the order of magnitude of 15-25% and the odds of dying are over twice as high for new ventures with high volatility (top tercile of revenue volatility) compared to those with low volatility (bottom tercile of revenue volatility; see Figure 1), we might expect to see a stronger cohort-level effect due to the weeding out of the new ventures with high short-term revenue volatility. While there is a meaningful reduction in short-term revenue volatility at the cohort level over time, it only corresponds to about a quarter of a standard

deviation over a ten-year period. In evolutionary terms this is paradoxical—we have a strong selection mechanism weeding out high-volatility new ventures, but this only translates into a slow reduction in average volatility at the cohort level of analysis. A possible explanation could be the limited “inheritance” of short-term revenue volatility for a given new venture between periods. That is, while new ventures may have an inherent level of volatility depending on several factors (such as size, industry, routines and number and types of customers, etc.), volatility can come unexpectedly. Because a high proportion of the ventures that suffer such volatility are weeded out of the cohort, they have a limited impact on the accumulated cohort average (and survivors of a stint of high volatility may revert to normal levels within a short period of time). This is consistent with findings in larger firms, based on growth rates of annual turnover; Geroski and Gugler (2004) found that the variation of growth rates is higher *within* firms over time than *between* firms. Consequently, the selection environment is noisy and only imperfectly penalizes enduring characteristics associated with high short-term revenue volatility (cf. Coad et al. 2016).

5.4. Some practical implications

We consider our work has practical implications for creditors seeking to predict new venture viability and for entrepreneurs who manage new ventures. First and foremost, our results show that high short-term revenue volatility in one year is a strong predictor of exit in the subsequent year. A measure of revenue volatility is a stronger predictor of subsequent survival than other variables including size, growth and standard measures of human capital. For creditors such as banks, data on short-term revenue volatility is therefore vital in making short-term credit assessments, but it is “private” to the bank and only becomes available once the enterprise has begun to trade.

For entrepreneurs, we confirm that short-term revenue volatility is associated with increased mortality risks. Volatility increases the probability that a venture has to rely on the

use of overdrafts or loans in excess of what was agreed upon, and for which it has to pay a high price. One way to guard against short-term revenue volatility is to have additional financial buffers, either in the form of additional cash or in the form of an available overdraft. Such measures improve the odds of survival for new ventures (Frid et al., 2016; Wiklund, et al., 2010). A simple, yet very practical, tip is to seek an overdraft before it is urgently needed.

5.5. Generalizing our findings

Although this an unprecedented large-scale, longitudinal, panel-data-based study examining the role of short-term revenue volatility among new ventures, it is of only one cohort. The outcomes we have identified therefore risk being specific to that cohort. We therefore conclude by speculating on the possible impact of two potentially important influences. The first is the role of the global financial crisis (GFC) and the second is the extent to which our findings might apply to different sub-groups of new ventures.

In our cohort, slightly less than half survived long enough enter the global financial crisis (GFC) of 2008-2009 (Davidsson & Gordon, 2016; Zarutskie & Yang, 2015) and this enabled us to examine whether the characteristics of the cohort changed during the downturn. We found the cohort average short-term revenue volatility decreased more sharply after year 6 (2009-10) than in the preceding years (see Figure 2). But this was not the case for new ventures surviving for the full duration (Figure 3). While Davidsson & Gordon's (2016, p.933) study of the effect of the GFC on new ventures in Australia found that new ventures were not much affected by the GFC, and that "the surprising absence of direct effect of macroeconomic crisis on nascent entrepreneurs and their ventures is the most interesting and most important finding of our study", Zarutskie and Yang (2015) do find that new ventures in the USA were adversely affected by the GFC. The effects in Zarutskie and Yang's (2015) study are small at the individual firm level, but aggregated, the effects are significant. For example, they found that log revenues were 3% lower at the depth of the recession. We

cannot rule out macroeconomic influences on our results, but it is noteworthy that the duration of our study includes both macroeconomic munificence and contraction without any dramatic changes to the observed dynamics. Therefore, while there is no reason to believe that studying other cohorts would fundamentally change the main conclusions of this study, replication is important and would provide a basis for further theorizing on the effects of macroeconomic munificence on new venture viability and performance.

A second inadequately covered issue in the article is the diversity of new ventures and the extent to which our volatility findings apply to individual sub-groupings. So, while we include sole traders, partnerships and companies, we exclude subsidiaries of existing firms and other types of organizations. This could be important in generalizing our findings. For example, subsidiaries have been found to exhibit different dynamics to independent ventures in terms of mortality rates and responses to economic downturns (Bradley et al., 2011). Even among independent ventures the role of volatility in influencing survival is likely to be different in high-tech, spin-offs or VC backed ventures (Brown & Lee, 2019).

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Appendix: Correlation matrix in year 1 for the main variables used in the regressions.

		[1]	[2]	[3]	[4]	[5]	[6]	[7]	[8]	[9]	[10]	[11]	[12]	[13]	[14]	[15]	[16]	[17]	[18]	[19]	[20]
[1]	Volatility	1																			
[2]	Log_revenues	-0.4015	1																		
[3]	Founder age	-0.0184	0.1058	1																	
[4]	No. owners	0.0294	0.2046	0.0953	1																
[5]	Male owners	0.0265	0.0356	-0.0613	-0.2904	1															
[6]	Female owners	-0.0079	-0.1635	-0.0305	-0.1815	-0.6909	1														
[7]	Education_1	-0.0605	-0.0347	0.0548	-0.0725	0.0729	-0.0352	1													
[8]	Education_2	-0.0796	-0.0225	-0.0274	-0.0379	-0.0284	0.0325	-0.3823	1												
[9]	Education_3	0.0108	0.0001	-0.0517	0.0113	-0.021	0.0069	-0.2465	-0.3199	1											
[10]	Education_4	0.1303	0.0557	0.0212	0.0992	-0.0209	-0.0071	-0.33	-0.4281	-0.2761	1										
[11]	Parental bus. exp.	0.01	0.0554	-0.027	0.0497	-0.0597	0.036	-0.0584	-0.0165	0.0409	0.0379	1									
[12]	Personal bus. exp.	-0.0319	0.2125	0.2213	0.1248	0.035	-0.1171	-0.0521	-0.0182	0.0194	0.0521	0.1048	1								
[13]	LegalF_1 (Company)	0.0095	0.3285	0.059	0.1893	0.0295	-0.1298	-0.0757	-0.1211	0.0205	0.1826	0.0268	0.1094	1							
[14]	LegalF_2 (Partnership)	-0.0399	0.0416	0.0426	0.5266	-0.2449	-0.0822	-0.0158	0.0236	0.0022	-0.012	0.0447	0.0632	-0.3021	1						
[15]	LegalF_3 (Sole trader)	0.0176	-0.3494	-0.086	-0.5413	0.1381	0.1815	0.0839	0.101	-0.0213	-0.1684	-0.0563	-0.1488	-0.7613	-0.3882	1					
[16]	OD limit	-0.1614	0.274	0.0479	0.0868	-0.0053	-0.0445	-0.0002	0.0287	-0.0118	-0.0203	0.0352	0.0965	0.0598	0.0413	-0.0859	1				
[17]	OD limit use	-0.1485	0.231	0.0281	0.0655	-0.0024	-0.0376	-0.0129	0.0486	-0.0106	-0.0298	0.0352	0.0916	0.0379	0.0354	-0.0609	0.8958	1			
[18]	OD limit extent	-0.1266	0.1892	0.0339	0.0636	-0.0143	-0.0297	-0.0154	0.038	0.0061	-0.0303	0.0515	0.0908	0.0529	0.0316	-0.0731	0.6481	0.7234	1		
[19]	OD XS	0.0545	-0.0256	-0.0848	-0.056	0.034	-0.0047	0.0564	0.0256	-0.019	-0.0635	0.0313	0.0166	-0.0657	-0.0216	0.0788	0.1184	0.1456	0.1026	1	
[20]	OD XS time	0.179	-0.1787	-0.0968	-0.0649	0.042	0.0047	0.0518	-0.0063	0.0049	-0.0458	0.0316	-0.0143	-0.0719	-0.0353	0.0941	-0.0326	-0.0299	-0.043	0.4868	1