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DETERMINANTS OF FIRM ECONOMIC PERFORMANCE: AN ECONOMETRIC ANALYSIS OF THE WINE INDUSTRY

Abstract:

Over the last few decades, globalization, as an economic integration phenomenon, led to deep structural changes in typical industries worldwide, shifting firms' core strategies and conditions within the market. The wine industry, for its tradition and relevance is a solid example of how globalization has shaped the market structure over the last decades, both in supply and demand side. The supply side registered an increased competition, through new entrants in the market. On the demand side, an overall decrease in consumption, due to substitute products and an improvement of consumer information and bargain power. The main goal of this paper is to point out the main determinants of firms' economic performance. Considering a panel of 412 wineries over a three-year period, this paper employs both Fixed-Effect Two-stage Least Square and Generalized Method of Moments models, to control for firm-specific effects, heteroskedasticity and persistence effects, results show that firm size, labor productivity, financial autonomy and short-term debt ratio have a positive effect on firms' economic performance. Firm age is found to have a non-linear relationship with firms' economic performance. The persistence effect of earnings before interests, tax, depreciations and amortizations is found to be negative. Wine-producers ought to establish short-term strategies that are compatible to their long-term goals; should focus on keeping a stable patrimonial situation and improving their productivity to boost their economic performance.

Keywords:

Wine-producers; Firm performance; Firm profitability; Two-stage Least Square; Firm Age; Firm Size; GMM-system

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