1. Introduction

The primary purpose of this paper is to provide fresh empirical evidence on how EU leading firms have adjusted to increased European economic integration with respect to two strategic variables: entry/exit decisions in the product space (diversification) and entry/exit decisions in the geographic space (multinationality). However, since one of the expected effects of European integration in general and of the Single European Market (SEM, hereafter) program in particular, is an increase in the toughness of competition, the purpose of this paper is more general and aims at analyzing the impact of a shift in the competitive regime on firms' entry/exit strategies.

Obviously, EU firms do not operate in a vacuum and their entry/exit strategies might depend on other, perhaps world-wide, factors. In particular, according to both financial press and academic research[1], recent years have witnessed remarkable changes in the organisation of firms throughout the world. Thus, terms as "globalisation" and "return to core business" have entered common language. On the one hand, at the geographic level, it has often been argued that the "globalisation" of competition has led to a dramatic increase in the scale of multinational operations. On the other hand, there is anecdotal evidence that the trend in product space has been apparently in the opposite direction. Today's popular terms as "return to core", "refocusing", "de-diversifying", all describe recent efforts pursued by firms to concentrate on a smaller range of industries, in each of which the firm aims to reach a leading position.

In spite of all these casual evidence, as far as we know there has been no comprehensive analysis on whether these phenomena are widespread among EU leading firms. Also, if evidence supporting the "globalisation - return to core" hypothesis is found, it is not however clear whether it has been fostered or hindered by European integration. To shed some light on these issues we make use of a novel dataset which includes detailed information on firms' output across industries and countries for a sample of 100 EU leading firms and for two distinct years, 1987 and 1993. Furthermore, since we know a priori which type of industries were most likely to be affected by the SEM program the possibility of comparing changes in corporate structure of firms operating in "1992 most affected industries" to those of firms operating in less affected industries should allow us