

was produced<sup>4</sup>. As part of an ongoing project on the structural changes in EU manufacturing, we have updated all relevant information to 1993 for the largest 100 surviving firms after excluding non-EU multinationals with operations within EU boundaries<sup>5</sup>.

Let us define with firm *i*'s primary industry (PI) the industry with the largest EU share of output in 1987 and with firm *i*'s home country (HC) its country of origin. By comparing the two matrices (1987 and 1993), entry and exit decisions at the firm level can thus be observed between 1987 and 1993, i.e. over the Single European Market program implementation period. In particular, it is possible to quantify for each firm: i) the number of entries (exits) in secondary industries - home country (home diversification), ii) the number of entries (exits) in foreign countries - primary industry (primary multinationality), iii) the number of entries (exits) in foreign countries - secondary industries (diversified multinationality or multinational diversification).

#### **4. Descriptive Statistics**

Empirical evidence from the U.S. (see Markides, 1995) reports for the past decade quite a widespread trend towards corporate restructuring by means of "refocusing" or "return to core  
Bhagat, Shleifer and Vishny, 1990 and Davies and Petts, 1997). This is generally understood as a reduction in the extent of diversification in order to recover profitability, after twenty years of full immersion in conglomeration. Can we provide any evidence that this is also occurring in the EU? One of the ex-ante expectation is precisely that the increased competitive pressures in both the core business and in secondary industries should draw companies efforts towards efficiency, possibly by divesting marginal activities in unrelated businesses (see section 2). Obviously, the "return to corporate specialisation" hypothesis is not at odds with an increase in the acquisitions of related businesses. Unfortunately, this would be blurred by the simple analysis of the entry and exit decisions, independent of the directions of diversification.

Table 1 summarises data on the distribution of output shares in the product/geographic space in 1987 and 1993 for the top 100 EU owned firms, as identified in section 3. The hypothesis of

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<sup>4</sup> As it was a project on the structure of EU manufacturing industry, all non-manufacturing activities were excluded as well as multinational operations outside the EU boundaries.