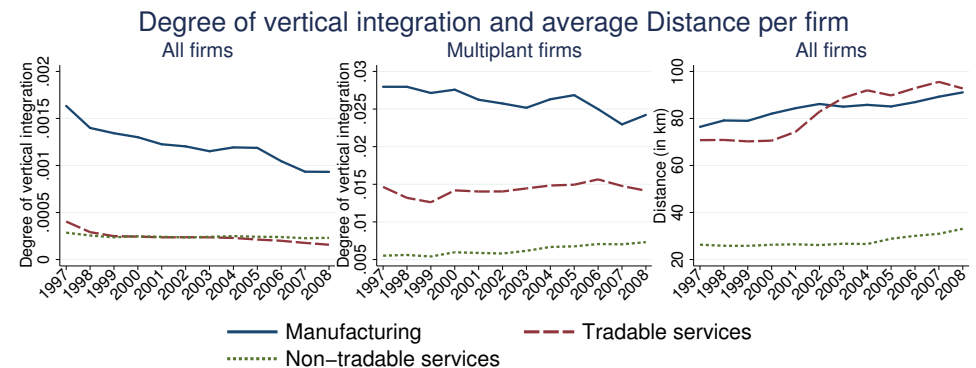


The Determinants of the Organisation

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Motivation

- ▶ British corporate landscape has experienced dramatic changes over time
- ▶ Size of manufacturing is decreasing
- ▶ Tradable and non-tradable sectors are advancing fast
- ▶ Changes in the organisational structure of firms:
 - ▶ Degree of vertical integration: Firms are getting more fragmented
 - ▶ Spatial distribution: Firms are getting more dispersed



The first two graphs are capturing the change in the degree of vertical integration (v_i) of all and multi-plant firms only. The right graph shows the av. distance between HQ and its vertically linked local units. The v_i is decreasing for all firms of all three sectors. If only multi-plant firms are considered, then v_i is decreasing for manufacturing, constant for the tradable and increasing for the non-tradable sector. The mean distance is increasing over time for all sectors.

Theoretical Background

The fundamental question about the boundaries of a firm goes back to Coase (1937). More recent theories are:

- ▶ Technological Differences (Acemoglu et al, 2009): Companies closer to the techn. frontier are more likely to decentralise decision power. In techn. homogeneous industries decision power will be centralised