

Internal Structure of UK Firms

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Empirical Strategy

Estimated Model: conducted for manufacturing, tradable and non-tradable services

$$VI_{ijrt} = \beta_0 + \beta_1 T_{it-1} + \beta_2 R\&D_{jt-1} + \beta_3 X_{it-1} + \beta_4 I_{jt-1} + \beta_5 R_{rt-1} + D_t + D_j + D_r + \varepsilon_{ijrt}$$

Vertical integration: VI-dummy and degree

T: Distance of firm to techn. frontier, techn. heterogeneity of industry

R&D: in-house R&D exp., external R&D expenditure per industry

X: age, size, foreign ownership of firms

I: Competition, degree of unionisation, average wage of industry

R: agglomeration per region

Spatial fragmentation: ML-dummy and distance

R: plus average wages per region

► Causality: Still prevailing, but to mitigate effects lagged dependent variables have been used and firm, time, industry and country fixed effects have been employed.

		Organisation			
		Market		Integration	
Space	conc.	fragmented, regional firm	re-multi-plant	integrated, regional multi-plant firm	
	disp.	fragmented, national firm	na-multi-plant	integrated, national multi-plant firm	

Classification of fragmentation, by Prize (2001), altered by author. Four different organisational forms are considered, based on a spatial and organisational dimension. Single plant firms are a fifth form. They are special because they could be completely fragmented or integrated.