Results

Vertical Integration:

Technology: Matters! Results are similar for our three samples. The closer a firm to the technological frontier the likelier it is to be vi. 1 S.D. ↑ leads to an increase in prob. of being vi by 0.6–1%. The more techn. heterogeneous the industry, the likelier it is to be fragmented. 1 S.D. ↑ increases the prob. of being fragmented by 0.25–0.5%. Techn. affects degree of vertical integration only in tradable services.

R&D: Few firms engage in R&D. No effect for services. Surprising result for manu.: 1 S.D. ↑ for (1) ext. R&D, prob. of being vi increases by 10%, but for (2) int. R&D, prob. decreases by 13%! Opposite of KC theory.

Other factors: *Size* matters! Non-linear relationship in manufacturing. The higher degree of *unionisation* of an industry the more fragmented manufacturing firms and the more integrated tradable service firms will be.

Spatial fragmentation:

Technology: Firms closer to the techn. frontier are likelier to have local units in different regions and further away from HQ. More productive firms can afford fixed costs for setting up local units in new regions. 1 S.D. ↑ leads to an increase in distance by 0.8km (manu. and non-trad. ser.) or 1.4km (trad. ser.).

Av. wages per region: Factor-price differences captured by regional wages are not significant. Wage differences might not be big enough within the UK to capture factor-price difference motives.

Other factors: *Size* matters, again with a positive non-linear relationship.

Notification