EXPLAINING CORPORATE STRUCTURE:
THE MD MATRIX, PRODUCT DIFFERENTIATION AND SIZE OF MARKET

by

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Abstract

Conventional explanations of diversification and multinationality both point to the existence of intangible assets as a driving force. Using a new database of leading EU firms in 100 NACE 3-digit industries, we devise a classificatory scheme which allows us to analyze multinationality and diversification jointly. We find that product differentiation and home market primary industry size constraints impact differently on different types of diversified firms. For instance, it appears that the causes of home country diversification are qualitatively different from those of diversification abroad.

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