

MACRO INTENTIONS, MICRO REALITIES:
A TWO-LEVEL STRATEGIC APPROACH TO THE SINGLE EUROPEAN MARKET
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MACRO INTENTIONS, MICRO REALITIES: A two-level strategic approach to the Single European Market

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ABSTRACT

The current understanding of Regional Integration is largely macro-economic and political in orientation and has tended to neglect, even *ex post*, the significance of the Single European Market (SEM) for the spatial restructuring of individual firms. The problem stems largely from a lopsided understanding of Regional Integration. This paper introduces a two-level approach in which integration and its outcomes are studied based on the strategic intent and strategic realities of two types of key actors: governments and core companies. In this contribution it is argued that in advocating the SEM, these actors did not necessarily share the same strategic intent. A new firm-level data set shows also that the expectations of European policymakers did not accurately match actual strategies developed by European core companies.

Key words: Regional Integration, core companies, spatial organization of activities, strategic intent/reality

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INTRODUCTION

The second wave of over one hundred new Regional Integration Agreements (RIAs) in the 1990s dwarfed the first wave of integration in the 1960s both in terms of depth and breadth. Consequently, Regional Integration began to receive renewed attention from academic circles. Despite an overwhelming and diverse body of literature, clear answers on the nature, dynamism and rationale of Regional Integration are lacking (Gilpin, 2001). At the heart of the problem is a lopsided understanding of the phenomenon, which makes it not only difficult to interpret *ex post*, but also to ask the appropriate leading questions. An assessment of mainstream approaches to Regional Integration reveals an over-emphasis on states as primary actors behind integration processes and on macro-level economic theory and empirics for understanding integration outcomes. Meanwhile, both the role of micro-level actors (i.e. firms) in integration processes (Greenwood, 1997; Cowles, 1995) and an understanding of restructuring outcomes for individual companies remain undertheorized and understudied (Phelps, 1997).

This contribution introduces the divergence between policy-level, macro strategic considerations and company-level, micro strategic considerations as a source of much of the lack of clarity. Key strategic actors in Regional Integration, namely governments and core companies, work together to form regions, but do not necessarily share the same strategic reality or strategic intent with regard to integration. Differences stem largely from the different ‘spaces’ in which these key actors operate. Core companies are large firms that operate as spiders in webs of value chains and innovation, lead processes of internationalization (Van Tulder *et al.*, 2001) and which – partly due to their core position – also have explicit political vision and direct access to political decisionmakers (Cowles, 1995). Yet their competitive space is not always synonymous to the policy space encompassed by the RIA, hence governments and core companies do not necessarily seek to coordinate economic activity spatially in similar ways. Outcomes are best understood in the context of the tension between their respective strategies. In this contribution policy-level expectations regarding the spatial consequences of the Single European Market (SEM) are tested using a new set of company-level data from the SCOPE database at the University of Rotterdam (cf. Van Tulder *et al.* 2001), covering the period surrounding the implementation of the SEM (1990-1997).

LITERATURE REVIEW

The Single European Market (SEM) has been the proving ground for many analytical thrusts in the renewed vogue of macro-regionalism. Not only because it is the most high-profile RIA in history, but also because many theoretical and practical shortcomings of existing Regional Integration theories were primarily exposed in the wake of the Single European Act (Greenwood 1997). The bulk of the literature has been primarily economics-oriented, viewing regionalism in terms of the 'second-best' alternative to multilateral liberalization, thereby overemphasizing trade issues (Markusen, 1995). Recent studies suggest that the share of intra-regional to total trade hardly changed in the 1984-1999 period, implying no noticeable trade-creating or trade-diverting effects as a result of the SEM (Molle, 2000).

Extensive empirical analysis has been conducted on the impact of the 1987 Single European Act (SEA) on trade and FDI flows between the US, European Union and Japan (Clegg and Scott-Green, 1999; Barrell and Pain, 1999; Belderbos, 1997). Results have been largely inconclusive and focus on relatively outdated (pre-1992) data. The only relatively undisputed conclusion is that the SEM led to an increase in inward FDI in Europe (Dunning, 1997a). At the same time, McDonald and Dearden (1994) note that there is a considerable gap in the literature concerning *extra*-regional effects, such as post-integration outflows of FDI as well as the relationship between outflows and inflows (Blomström and Kokko, 1997). Other analyses have emphasized firm-level issues but continue to test them at high levels of aggregation. Predictions of firm behavior range from rationalization and consolidation to defensive and offensive import-substituting investment (Aristotelous and Fountas, 1996; Yannopoulos, 1992), with a wide range of empirical outcomes. More qualitative research targeted at individual firms has also been conducted, addressing e.g. European firm response to competitive pressures (Davies *et al.*, 1999), but often focus on macro variables like national differences as the basis for analysis. In a survey of 13,900 European firms by the Single Market Review (1997), respondents were hesitant to define the SEM as a strategically important issue. Primary correlations were identified as more significant at the national level than at e.g. the industry level, a fact that belies the survey's macro-theoretical underpinnings despite its apparent micro focus. Additionally, the diversity of the sample in terms of firm size may have led to diffuse responses from firms which either had little stake in an integrated European market or lacked the political vision to know what that stake should be.

The macro-level focus in mainstream theories of Regional Integration is symptomatic of the lack of explicit attention for both economic and political actors in the process and

outcomes of integration. The relationship between the two in integration processes has long been understudied, with economics approaches treating the RIA at best as an economics-induced rational political decision (Panagariya and Findlay, 1996) and at worst as an exogenous given. Political science approaches often play down the role of non-state actors (Cowles, 1995) and fail to offer sufficient tools to evaluate outcomes (Mattli, 1999). Intergovernmentalist and neofunctionalist debates on the origin of integration have not yet been very fruitful (Sandholtz, 1999; Cowles, 1995), and attempts to synthesize state-centric theories have remained weak (Branch and Øhrgaard, 1999; cf. Cameron, 1992). While in practice managers have increasingly recognized the benefit of ‘political’ strategies (Baron, 2000) and politicians the importance of non-state actors in Regional Integration (Cowles, 1995), efforts at linking economics and political science approaches to Regional Integration are few and far between (Mattli, 1999; Baldwin, 1996).

The persistent theoretical and empirical ambiguity can be seen as evidence that macro questions do not necessarily lead to micro answers. In the words of Braithwaite and Drahos (2000, p. 21), ‘macro-macro theory tends to use abstract categories of explanation which appear to be more universal and seemingly allow theories to sweep across a larger range of phenomena’. Micro-strategic considerations such as market power are often left out (Sachwald, 1993), in addition to economically ‘sub-optimal’ behavior like dumping and preemption (Gilpin, 2001), and location remains a neglected factor (Dunning, 1998). Many approaches conceptualize both macro and micro dimensions of Regional Integration, but often assume by default that macro and micro actors are subject to identical problems and solutions. For instance, explaining both transnational production decisions and economic integration between countries as ‘market internalization’ decisions (Robson, 1993) may be conceptually appealing but does not necessarily reflect the true strategic considerations of the actors involved. Regional Integration theories suffer from similar shortcomings as much of the recent International Business literature in general, namely an overemphasis on intrinsic and efficiency-oriented motivations for internationalization and the ‘sunny side’ of firm behavior (Eden and Lenway, 2001).

STRATEGIC INTENT IN THE SEM

The mutual influence of powerful economic actors and governments in the SEM is well documented (Criekmans, 1998; Greenwood, 1997; Cowles, 1995), with special attention being paid to the role of the European Round Table of Industrialists (ERT). In fact, the European Commission’s 1985 White Paper on the Single Market was essentially a summary

of nearly 300 points of issue that the European Round Table of Industrialists (ERT) had with the slow progression of integration (Cameron, 1992). Overemphasis on the ERT as an actor in its own right, however, has led to a tendency to overlook the nature of the ERT for what its members are. It is conceptually more appropriate in this sense to think of key economic actors as core companies (Van Tulder *et al.* 2001), of which the ERT is the most well-organized vocalization.

Strategy in policy space and competitive space

Although European business and government elites joined forces in creating the SEM, each did so for different reasons. These different reasons stem largely from the difference in institutional ‘spaces’ within which core companies and governments operate, and within which they anticipate gains from Regional Integration. Governments, for instance, are primarily concerned with governance structures within a geographically defined policy space (similar to ‘regulatory domains’ of Braithwaite and Drahos, 2000; and the ‘political space’ of Dunning, 1997b). Core companies, on the other hand, are concerned with the activities which take place within their competitive space, in particular that segment of their competitive space which they attempt to control (Ruigrok and Van Tulder, 1995). Competitive space is best understood as the arena in which firms compete, with specific ‘rules of engagement’ that reflect the characteristics of competition between firms.

Policy space and competitive space may overlap and interweave through geographic space but are not necessarily spatially organized in complementary ways (cf. Dunning, 1997b). Given the (increasing) divergence in policy and competitive strategic spaces, core companies and governments do not face the same strategic realities, nor do they have the same strategic intent (Eden, 1993; Rugman and Verbeke, 1991). Strategic reality is the context (or frame) in which an actor operates, which provides ‘guideposts for action’ (Rein and Schön, 1991, p. 263). Strategic intent, or the ‘goals and desires’ underlying specific actions (Braithwaite and Drahos, 2000, p. 17), is shaped *inter alia* by an actor’s strategic reality. Both intent and reality are shaped by past and present actions, as well as by *anticipated* future actions of others (cf. manipulative mixed-motive bargaining models and two-level games, Putnam, 1988). The strategies of economic and political actors are thus intertwined in Regional Integration because policy space and competitive space interweave and overlap, and outcomes can best be interpreted in light of this interplay.

Policy aims of the SEM

The policy aims of the SEM have been exhaustively studied elsewhere (Molle, 2000; Pelkmans, 1997; Cameron, 1992). It is not functional to repeat those analyses; rather, those aims will be reviewed briefly as posited by original EC documents. The ‘official EC view’ of the integration process (Davies *et al.*, 1999) as embodied in the Cecchini report (CEC, 1988), describes the essence of the SEM policy logic. In the words of the Commission itself, ‘in the present condition of the European economy the segmentation and weak competitiveness of many markets mean that there is large potential for the rationalization of production and distribution structures leading to improvements in productivity, and reductions in many costs and prices’ (CEC, 1988, p. 21).

Davies *et al.* (1999) summarizes the Commission’s expectations of integration as follows: 1) direct cost savings due to elimination of (non) tariff barriers; cost savings derived from increased volumes and scale- and learning economies, and better exploitation of comparative advantage; 2) tightening of competitive pressures, leading to reduced prices and increased efficiency as more firms from different member states compete directly in the bigger market place; and 3) increased competitive pressures leading to speedier innovation. This proposes in essence an inward-looking solution to Europe’s problems (Devinney and Hightower, 1991). The assumption was that more competitive European firms would raise entry barriers and make it inherently more difficult for non-European firms to compete in the European marketplace (Bhagwati, 1993). In the words of EC Commissioner De Clerq, ‘we are not building a single market in order to turn it over to hungry foreigners’ (Winters, 1993), an objective which core companies – despite the rhetoric – wholly supported and actively lobbied for (Greenwood, 1997; Bhagwati, 1993).

In reaching such conclusions it is important to view the issues in light of European policy-level strategic realities. ‘Eurosclerosis’, low productivity, technological backwardness and a country-centered orientation (Phelps, 1997; Young and Hamill, 1992) meant declining European competitiveness relative to the US and Japan. The assumption was that integration would ultimately lead to more (and cheaper) exports from home countries to other SEM member states, as well as to third markets (CEC, 1988). Creating dependence on European exports in third markets generates leverage for EU governments and at the same time allows them to profit from (regional-)internal growth in terms favorable for e.g. balance of payments and exchange rates. Thus in the policy-strategic vision, the assumption of intra-regional

growth (fueled by rationalization, consolidation and export growth from home markets) engenders rents and terms of trade benefits to EU governments.

However, the almost 'religious' emphasis on economies of scale and size (Devinney and Hightower, 1991) does not necessarily reflect the strategic reality of core companies. Policymaking models applied in the case of the SEM, such as gravity models and applied general equilibrium (AGE) models, are generally macroeconomic and static (cf. Bowen *et al.*, 1998 and Willenbockel, 1994). The microeconomic models used largely ignore strategic concerns (Sachwald, 1993) and make simplistic assumptions about firm behavior and market structure whose applicability to real-world firm situations is questionable (Waverman, 1991). Additionally, the economic effects of the SEM are not translated into locational consequences for individual firms (Davies *et al.*, 1999; Panić, 1991) and the extra-regional impact remains unconsidered (McDonald and Dearden, 1994). This suggests that the expectations of EU governments in terms of core company strategy may have been misconceived, despite sharing the vision of a common market with the business elite.

THE SEM: EMPIRICAL EVIDENCE OF CORE COMPANY RESTRUCTURING

In Europe, policy implementation in the 1990s more or less followed intent as outlined above – albeit at a somewhat slower pace than hoped for. It is assumed that policy measures surrounding 1992 were enacted with the purpose of achieving the aforementioned objectives, or at the very least that core companies acted on the *expectation* that this would be the case. The hypotheses below translate the policy strategic intent, as reflected in the Cecchini Report, into expected consequences for the spatial organization of core company activity, which are then tested to determine whether post-SEM core company restructuring corresponds with the expectations of policy strategists.

Hypotheses

H1: Home efficiency growth > European efficiency growth > Rest of world efficiency growth. The SEM was expected to lead to increased efficiency in Europe as a result of consolidated production (scale gains) and reduced transaction costs, leading to more units of output per unit of productive capacity. This would particularly be the case domestically as companies opt increasingly for export as opposed to local production, and to a lesser extent in the rest of Europe as other regional centers experience consolidation as well.

H2: Domestic productive capacity growth > regional productive capacity growth. The Cecchini Report suggests that domestic productive capacity would grow faster than regional

productive capacity as production in other European markets is replaced by exports from the home market. The inherent advantage companies have in their home market as opposed to host markets make the home country overall the most likely locus for consolidation.

H3: Extra-regional productive capacity and output growth should stagnate or decline. Competition is primarily considered to take place via exports to third markets, which will increase in volume and decrease in cost as European core companies enjoy scale economies, and efficiency effects free previously inefficient productive resources. Extra-regional effects in terms of location of production are essentially unaddressed, but the assumption of consolidation within Europe suggests the likelihood of rationalization in the rest of the world.

H4: The competitive position of European core companies should be enhanced relative to that of non-European core companies. Key to the SEM is the expectation that European core companies would reap the bulk of its benefits. This entailed that European core companies would grow faster in Europe than non-European core companies, bolstering their position in consumer markets as well as within the value chain. Relative growth should be achieved in terms of a) productive capacity, b) output and c) efficiency.

H5: Changes in indicators should be significantly different post-1992 relative to pre-1992. On the one hand, changes may be expected pre-1992 as companies engage in proactive, anticipatory strategic moves (particularly non-European core companies wary of a ‘Fortress Europe’), either to be a step ahead or simply acting on the assumption that policy will be implemented as above. On the other hand, certain effects may only arise post-1992, after national governments actually begin implementing policy reform. It is possible that efficiency effects will be most apparent post-1992 and spatial effects pre-1992.

Methodology

Data on changes in the geographical spread of activity was gathered for a subset of European and US core companies (the latter representing ‘non-European core companies’) from the SCOPE Core200 database at the Erasmus University Rotterdam over the 1990-97 period. The SCOPE Core200 database comprises the 200 largest non-financial firms in the world, measured by dollar value of total sales, using 1995 as a benchmark year. Non-financial European core companies were the prime constituents of the lobby groups – such as the ERT – that are generally acclaimed for their successful lobby efforts in support of further European integration. Of the SCOPE Core200, 69 companies are European and 61 are US-based. Of the 69 European core companies, 12 are utilities and were omitted from the sample on the assumption that their spatial dynamics are predominantly shaped by the particular

circumstances of the period (e.g. privatization) and their overwhelmingly national orientation. An additional 24 were subject to data problems, leaving a remainder of 33 European core companies. Of the 61 US core companies, 7 were omitted as utilities and 10 were subject to data problems. An additional 17 US core companies were dropped for having little or no European activity over the period (in particular large retailers). An overview of the sample (Table 1) shows that the average rank of the sample is 100 for US core companies and 95 for European core companies, indicating that the sample is not weighted towards either the larger or the smaller firms in the SCOPE Core200 and is thus a representative subset.

***** Table 1 about here *****

The data which underlie the indicators developed here are sales by country of origin and total assets. Since sales by origin and asset value can in theory be seen as proxies for a firm's productive activity (Gomes and Ramaswamy, 1999; UNCTAD, 1998; Sullivan, 1994), a change in the relative importance of a geographic location should be reflected in a change in relative assets and sales shares. In other words, relative divestment (investment) should be evidenced by a decrease (increase) in the relative value of sales (i.e., output) and assets (i.e., productive capacity) in a given location over time. Data was extracted directly from annual reports, complemented where necessary by secondary sources or direct communication with firms themselves. The figures were collected directly in the local currency of the firm's home country in order to minimize effects of inconsistent exchange rates. In some cases, employment shares were used as proxies for asset shares (cf. Ietto-Gilles 1998), and in a handful of cases percentages based on 'tangible assets' or 'net-operating assets' were used. In many cases 'Europe' or 'Western Europe' was used as a proxy for the SEM (cf. Dunning, 1997a).

The share of productive capacity ($PROCAP_i$) located in a given geographical region i is proxied by the share of assets in that region as a percentage of total assets, after subtraction of 'unallocated assets' and other non-geographic specifications. Output ($OUTPUT_i$) is proxied by sales by country of origin (as distinct from sales by destination; UNCTAD, 1998). An efficiency index is calculated per region i as the percentage of change in ratio of $OUTPUT_i$ to $PROCAP_i$ (1990 = 100). For European core companies, i is either 'Home' (domestic), 'Eur' (non-domestic Europe), 'TotEur' (total Europe) or 'RoW' (rest of world). For US core companies, only 'TotEur' (total Europe) is used, as 'Home' and 'RoW' effects are beyond the scope of this paper.

Results

Table 2 shows basic trends for European core companies and the dispersion of their activities over the 1990s, compared with the position of US core companies in Europe. First, the total production (assets) and output (sales) figures for US firms are on average higher than those of their European counterparts. Furthermore, European shares of activity for US core companies, and non-domestic European activity for European core companies are nearly identical and quite stable. In contrast, the average domestic share of activity for European core companies declined steadily over the period, from ca. 54% in 1990 to ca. 45% in 1997. Given the overall increase in core company size over the period, the relative decline in domestic activity translates into a remarkably stable value in absolute terms (hovering around \$11 billion for both sales and assets). Thus the relative decline in domestic activity was necessarily attributable to foreign expansion.

***** Table 2 about here *****

Yet the bulk of this expansion does not appear to have taken place in non-domestic Europe, where growth in absolute terms mirrored overall absolute growth such that in terms of share, the rest of Europe accounted for ca. 22% and 26% of productive capacity and output, respectively, over the entire period. The real thrust of expansion was *outside* of Europe, from less than 25% to nearly 31% in relative terms and an even larger increase in output. The index value of output to productive capacity per region (the efficiency index) reveals that in Europe, European core company output did not increase relative to productive capacity, holding more or less constant over the period. Domestic output, on the other hand, rose slightly, especially when compared to the rest of Europe, indicating that European core companies may have experienced some gain from scale economies and reduced transaction costs, although gains are not statistically significant (see Table 3).

The statistical analysis reveals a slightly more nuanced view than the averages over the entire set of companies (Table 3). A simple χ^2 test is applied in which changes to the indicators per core company are valued as 'success' or 'failure', depending on whether changes support the hypotheses. The 'Annual' column examines the likelihood that any given core company experienced the changes predicted in any given year throughout the period. The '1997 vs. 1990' column examines the difference between positions at the end of the period relative to the beginning, and P1 and P2 consider the significance of pre- and post-1992 changes, respectively. It should be noted that the 'Annual' statistics are only significant if corroborated by significant overall change over the period as a whole (1997 relative to 1990)

in order to avoid the possibility of a relatively large number of negative shifts being cancelled out by fewer, but larger in value, positive jumps.

***** Table 3 about here *****

Based on the analysis in Table 3, hypotheses concerning the spatial organization of European core company activity (H2 and H3) can be rejected across the board. Instead of showing relative domestic consolidation, the chance that domestic activity as a share of total activity declined for any given European core company in any given year was significantly high. Accordingly, this corresponded to a total decline in 1997 relative to 1990. The bulk of the internationalization thrust, however, took place from 1993 onwards; i.e., *after* the initialization of the SEM (H5). This was preceded by a more subtle expansion into the rest of Europe, which continued into P2 such that Europe as a share of total activity had increased by 1997 but was less of a clear trend in P2 than in P1. By far the most significant result is obtained in terms of *extra*-regional expansion after 1992. $\Delta\text{PROCAP}_{\text{TotEur}}$ was negative across the board, and paralleled by trends in output which suggest that the dispersion of locational presence involved a dispersion of production facilities and not simply sales-related subsidiaries.

On the other hand, the data reveals little with respect to the efficiency hypotheses (H1 and H4c). The expected increase in output relative to productive capacity (measured by the efficiency index) is not substantiated by the data, which remain essentially stable over the period. In fact US companies appeared able to maintain their sales-to-asset ratios in Europe just as well as European core companies. Hypotheses 4a and 4b, concerning advantages to European core companies in output and productive capacity growth in Europe relative to US core companies, are also not substantiated by the data. Although US companies' share of activity in Europe remained relatively stable over the period, the higher absolute growth rates of US core companies means that their overall positions in Europe increased, both in terms of productive capacity and output, relative to that of European core companies.

CONCLUSIONS

Many of the core company strategies observed run counter to those expected on the basis of the Cecchini Report. Instead of increased domestic shares of production and an even higher corresponding increase in domestic shares of output (consolidation and scale), we see slight expansion into the rest of Europe, but primarily expansion *outside* of Europe. Regional cross-border production in the face of reduced internal market barriers allows core companies to compete better *without* necessarily downsizing. This may make European core companies

more competitive vis à vis non-European core companies, but at the *expense* of increased competition in Europe. In addition, the evident extra-regional expansion suggests that core companies were more interested in the SEM's ability to help bolster their extra-regional positions rather than in consolidation at home.

On the other hand, US firms have come to profit from the SEM in Europe at least as much as European core companies, if not more. The size effects predicted by the Cecchini Report as one of the most important factors contributing to the advancement of European competitiveness seem to have been reaped primarily by US core companies. Thus for European governments the desire for intra-regional economic growth, and the rents and terms-of-trade gains this entails, may be increasingly due to the activities of non-European core companies in Europe than those of 'home' core companies. This subtle shift likely has consequences for power relationships between governments, and between governments and firms. The result may be an increased tension between competitive space and policy space.

It seems unlikely that European core companies have succeeded in gaining an edge against US core companies in Europe. Yet the 'survivability' of both sets of firms says something about the success of their strategies, and it is important to recognize that the role and impact of the SEM in core company strategies extends beyond the limits of European policy space. For European core companies, the SEM was central to an *extra*-regional strategy for enhancing their competitiveness vis à vis their non-European counterparts. Understanding Regional Integration means seeing RIAs not only as a crucial element of macro-level national competitiveness strategies; they are also a key element of micro-level core company competitive strategies, in competitive spaces which extend beyond the geography of policy space. Ultimately, the tension between competitive and policy space reveals the level-of-analysis problem inherent in the study of Regional Integration. The methodology presented here, juxtaposing policy-level macro expectations against an analysis of strategies realized at the firm level, contributes to our understanding of the level-of-analysis problem in Regional Integration.

Further research could be developed along comparable lines, increasing the sample of core companies, addressing other RIAs (in particular NAFTA – the North American Free Trade Agreement), or exploring intents and realities over a longer period of time. Going into more depth for particular industries might show different patterns of intra- and extra-regional expansion when faced with Regional Integration. In addition, the effects of regionalism on the process of globalization is an issue that is strongly debated in international policy gremia. An extended version of the present analysis could contribute to this discussion by testing the

relationship between regional institution-building and global institution-building (in particular in the context of the WTO trade and investment regimes) and firm internationalization strategies.

TABLES AND FIGURES

Table 1: Core companies in sample

<i>Europe</i>	<i>Country of origin</i>	<i># of companies in sample</i>	<i>% of companies in SCOPE Core200</i>	<i>Average core ranking in sample</i>
	France	12	20	
	Germany	8	22	
	Italy	1	5	
	the Netherlands	2	3	
	Spain	0	3	
	Sweden	1	3	
	Switzerland	1	3	
	Switz./Sweden	1	1	
	United Kingdom	6	7	
	UK/Netherlands	1	2	
<i>total</i>	<i>Europe</i>	33	69	95
<i>Non-Europe</i>	<i>US</i>	27	61	100

Table 2: Average core company activity, by year and geographical area

European core comp.	1990	1991	1992	1993	1994	1995	1996	1997
Total assets (\$mil)	23.906	25.190	23.868	22.858	26.634	29.103	29.531	28.318
Total sales (\$mil)	22.889	23.350	25.306	23.397	24.940	28.694	31.820	30.298
PROCAP _{Eur}	21,1%	21,9%	22,6%	22,1%	22,0%	22,4%	22,6%	24,0%
OUTPUT _{Eur}	27,6%	28,5%	27,8%	25,7%	25,9%	26,0%	25,3%	25,4%
Efficiency index	100	98,0	98,4	100,4	97,2	102,4	99,7	100,5
PROCAP _{Home}	54,3%	53,0%	51,6%	50,5%	49,9%	49,4%	48,2%	45,0%
OUTPUT _{Home}	49,9%	48,2%	48,1%	47,2%	46,0%	45,5%	44,9%	42,3%
Efficiency index	100	97,0	101,3	99,9	93,5	102,7	99,8	103,5
PROCAP _{RoW}	24,6%	25,1%	25,7%	27,3%	28,1%	28,2%	29,2%	30,9%
OUTPUT _{RoW}	22,2%	23,4%	24,2%	27,1%	28,1%	28,1%	29,9%	32,3%
US core comp.								
Total assets (\$mil)	38.312	39.262	40.263	43.205	42.355	47.105	50.027	53.656
Total sales (\$mil)	29.994	29.367	30.619	32.401	34.056	38.323	40.048	41.626
PROCAP _{Eur}	21,4%	22,0%	22,4%	21,7%	22,2%	23,5%	22,6%	21,8%
OUTPUT _{Eur}	22,4%	23,1%	23,4%	22,0%	22,1%	23,6%	23,0%	21,7%
Efficiency index	100	96,6	99,6	100,8	98,1	107,5	99,3	99,1

Table 3: Chi-Test results for hypothesized SEM outcomes

<i>Hypotheses</i>	<i>Expected sign</i>	<i>Results</i>	<i>Annually</i>	<i>97 vs 90</i>	<i>P1 (1990-92)</i>	<i>P2 (1993-97)</i>
$\Delta\text{PROCAP}_{\text{Home}} > 0$	+	-	15,069***	18,939***	0,460	17,024***
$\Delta\text{PROCAP}_{\text{Eur}} < 0$	+	-	4,714**	1,485	13,394***	1,363
$\Delta\text{PROCAP}_{\text{TotEur}} > 0$	+	-	10,394**	10,939***	0,061	1104,5***
$\Delta\text{OUTPUT}_{\text{Home}} > \Delta\text{OUTPUT}_{\text{Eur}}$	+	-	11,211***	2,934*	6,11**	5,743**
$\Delta\text{OUTPUT}_{\text{Home}} > \Delta\text{PROCAP}_{\text{Home}}$	+	=	0,108	0,758	0,545	0,006
$\Delta\text{PROCAP}_{\text{TotEur}} > idem \text{ US core}$	+	-	49,313***	53,700***	35,759***	35,834***
$\Delta\text{OUTPUT}_{\text{TotEur}} > idem \text{ US core}$	+	-	47,288***	8,727***	11,461***	36,374***
* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$						

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