

Can market competition complement the usual mechanisms of corporate governance?*

Abstract

This paper provides some empirical evidence about the impact of competition on corporate productivity. We apply the generalized method of moments of Arellano and Bond (1991) to different multiple regression models, using a data set of 4,947 Spanish firms belonging to 19 industries, during the period 1994-2003. The results suggest that, taken together, competition at the firm level, financial pressure and the largest shareholder type in each industry affect corporate productivity growth, as well as the interaction of the alternative mechanisms that would be considered for the governance of firms to increase their productivity. This is interpreted as showing that competitive pressure from product markets provides incentives for corporate governance.

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