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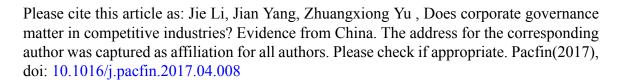
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## ACCEPTED MANUSCRIPT

### Does corporate governance matter in competitive industries? Evidence

#### from China

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#### **Abstract**

Using the data of Chinese listed firms from 2003 to 2013, this study examines how product market competition affects the impact of corporate governance on firm value. In sharp contrast with the overwhelming empirical evidence based on the US and European developed markets that product market competition acts as a substitute for corporate governance and good governance matters only in non-competitive industries, we document that good governance of Chinese firms significantly increases firm value only in competitive industries, primarily through less empire building. The evidence is significant particularly after the recent global financial crisis and far stronger for state-owned firms than for non-state-owned firms.

**Keywords:** product market competition, corporate governance, firm value, emerging markets

JEL classifications: G34, G38, L1

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