

## Corporate Efficiency in Europe

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### Keywords

Efficiency, ownership structure, firms, panel data, stochastic frontier

### Abstract

*We analyze corporate technical efficiency in European Union (EU) firms. Our exceptionally sizable dataset covers more than 5 million firm/years from multiple EU countries operating in both manufacturing as well as service sectors during the period 2001–2007. As a methodology we employ a stochastic production frontier model. We provide evidence that ownership structure and other firm and market characteristics do matter with respect to efficiency. We show that the economic effect of the firm's age is negligible, larger firms are less efficient, greater leverage contributes to firm efficiency, and that moderate market concentration, implying greater competition, is beneficial. Majority ownership does not provide a contributing effect toward efficiency in most of the countries, but a combination of majority and minority owners has a positive disciplining effect and causes an improvement in efficiency. In terms of ownership domicile, foreign owners do not seem to play a strong role with respect to efficiency in old EU firms in contrast with efficiency improvements in new EU firms.*

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