Recent years have witnessed an enormous amount of reorganization of the corporate sector in the US and in Europe. This paper examines the role of market competition for this trend in corporate reorganization. We find that at intermediate levels of competition the CEO of the corporation decides to have less power inside the firm and to delegate control to lower levels of the firm's hierarchy. Thus, workers empowerment and the move to flatter firm organizations emerge as an equilibrium when competition is not too tough and not too weak. The model predicts merger waves or waves of outsourcing when countries become more integrated into the world economy as the corporate sector reorganizes in response to an increase in international competition.