

**Operating Performance of Privatized Companies in
Transition Economies -
The Case of Poland, Hungary and the Czech Republic**

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Abstract

We examine operating performance of 154 Polish, Hungarian and Czech companies that were fully or partially privatized between January 1990 and December 1998. Overall, our results are different from results of similar studies on operating performance of companies privatized in developed and other developing countries (D'Souza and Megginson, 1999; Boubakri and Cosset, 1998). For example, privatized firms in our sample did not manage to increase profitability, and significantly reduced efficiency and output in the post-privatization period. Enterprises privatized through mass privatization programs (Czech SOEs) achieved lower profitability in the post-privatization period compared to their counterparts privatized through case-by-case method. Czech companies have also maintained much higher bank borrowings after privatizations than their Polish and Hungarian counterparts. We further document that private sector IPOs underperform their privatization counterparts in terms of profitability, efficiency, capital investments and output. Finally, firms' size does not seem to influence key performance measures in selected countries.

JEL classification: G32, P34, P52

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