

# **Does private ownership always improve firm performance?**

## **The case of Central European Transition Economies**

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### **Abstract**

This study examines the operating performance of companies privatized in three Central European Transition Economies between 1990 and 1998. Overall, we find no evidence of a significant improvement in operating performance for the first six years after privatization. Contrary to the increasing empirical evidence for developed and developing countries, privatized firms in our sample experience a drop in profitability, capital investments, employment, and output as well as a significant increase in leverage. Our results indicate the importance of an appropriate legal and institutional environment for the performance of newly privatized firms in transition economies.

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