

The Effect of Ownership Structures on Managerial Disciplinary Mechanisms after Privatization in Slovakia

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Abstract:

In established market economies, firm performance has typically a strong effect on the CEO's tenure in the firm, which suggests effectiveness of the internal governance structures. This paper analyzes CEO turnover and its sensitivity to poor firm performance after privatization in a transition country. Using data over 1995-98 on state-owned enterprises privatized in the large-scale privatization in Slovakia, the analysis shows that poor profitability is indeed associated with higher CEO turnover suggesting that the transfer of ownership from state to private hands had enhancing effect on the effectiveness of the internal monitoring efforts. In contrast, a market performance measure does not perform such a disciplining role. The second important finding is that concentration and nature of ownership as well as changes of major blockholders have also important impact on both CEO turnover and its sensitivity to poor firm performance.

Keywords: Corporate Governance, Ownership, Management Turnover, Privatization

JEL Classification Numbers: G30, G34, J40

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