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Post-Privatization Effects of Management and Employee Buyouts

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Abstract

Management and employee buy-outs have played a significant role in the privatization of state-owned enterprises. Key research and policy issues are raised concerning whether insider ownership promotes or impedes restructuring and adaptation. This paper reviews and synthesises studies of the effects of privatization management and employee buy-outs in both developed and transition economies. Trends in privatization buy-outs and conceptual issues concerning the expected effects of privatization buy-outs both in terms of performance and survival are discussed. A review of empirical evidence is presented in terms of the impact of buy-outs on employee attitudes, human resource management, strategy and restructuring, financial and economic performance, together with fresh evidence on survival. Privatization buy-outs can lead to significant restructuring but their impact depends on institutional context and policy. Restructuring may be greater where insiders purchase shares rather than acquiring them virtually free through voucher programmes.

Post-Privatization Effects of Management and Employee Buyouts

Introduction

About a decade ago, there was considerable debate about the role of managerial and employee ownership in the privatization of state-owned enterprises in both developed and transition economies (e.g. Ben-Ner, 1993; Smith, 1994). Privatization is now a worldwide phenomenon with numerous studies available concerning its impact on enterprise strategy and performance. Megginson and Netter (2001) and Djankov and Murrell (2002) provide reviews of the impact of privatization worldwide. Both reviews conclude that privatized firms generally become more efficient and more profitable following the change in ownership. However, their reviews do not explicitly address the impact of privatization through management and employee buy-outs. Although this form of privatization has not tended to involve the largest enterprises in developed market economies, this has been the case in many transition economies. Moreover, numerically, management and employee buy-outs have been used extensively around the world to privatize medium sized enterprises (Wright, Filatotchev, Buck and Robbie, 1993; and below). There is therefore, a need to synthesise the effects of the management and employee buy-out mode of privatization on enterprises.

This paper is structured as follows. The first section presents definitions and trends in privatization buy-outs. The second section discusses conceptual issues concerning the expected effects of privatization buy-outs both in terms of performance and longevity or survival. The third section reviews empirical evidence in terms of the impact of buy-outs on productivity and profits performance, attitudinal influences on performance, strategic choices and alternative measures of performance including employment changes, restructuring outcomes, buy-out longevity and the realisation of capital gains. The discussion distinguishes the effects of buy-outs in developed and transition economies. The review presented is, therefore, complementary to those of Megginson and Netter (2001) and Djankov and Murrell (2002) by focusing on management and employee ownership after privatization and a wider range of variables. In the final section, some conclusions and policy implications are drawn.

Definitions and Trends

The key general features of buyouts are: the transfer of ownership of an enterprise to a new legal entity in which managers and employees are significant if not majority shareholders; the recognition of new property rights of managers and employee shareholders through direct share ownership; the importance of monitoring by financing institutions both through mechanisms which result from commitments to service external borrowings and other finance taken out to effect the acquisition, and other processes such as board representation.

Buy-outs can involve a variety of organisation forms with various groups of equity holders. The main distinguishing criteria are whether ownership is by management alone (a management buy-out, MBO), evenly spread across all employees (an employee buy-out, EBO), by inside managers and employees (a management-employee buy-out, MEBO), by managers entering the ownership of the firm from outside (a management buy-in, MBI), or by a combination of both outsiders and insiders (a buy-in/buy-out, a joint buy-out, or a voucher buy-out).

In privatization buy-outs, the government may dispose of all or part of the equity of an entity, in the latter case retaining an equity stake which may serve to reduce the need for external finance and/or to exert

continuing influence over the firm. Privatization buy-outs may involve the sale of whole enterprises, the divestment of divisions and the break-up of an entire enterprise into many parts. In OECD countries, privatization buy-outs typically involve the sale of assets or shares. In some transition economies, assets may be leased to management, with or without the option to buy, or may be virtually "given away" through voucher mechanisms. In a voucher buy-out a proportion of the shares in an enterprise are made available to employees either in return for vouchers that have been issued to all adults or at a preferential rate for cash, or both. Where the sale of assets is involved, a financing institution is highly likely to provide both funding and monitoring. Employee share ownership may be effected either through direct share purchase or indirectly through an employee share ownership plan (ESOP). In the case of voucher buyouts, the introduction of new financing and monitoring by outside institutional shareholders is unlikely.

TABLE 1 NEAR HERE

The UK has seen the largest number of public sector privatizations through management and employee buy-outs (Table 1). These deals have been identified in the UK since the early 1980s, a total of 273 having been completed. Few of these buy-outs are straight EBOs, MEBOs being more common. These buy-outs covered a wide range of sectors, most notably in respect of the break-up of state and local government owned local bus service providers and the state-owned rail organisation. Other significant numbers of privatization buy-outs involved divestment from state-owned steel and car producers as well as local government services and other state government agencies. Large numbers have also been completed in Germany, though these principally relate to the Treuhandanstalt privatizations of the early 1990s. In France, privatization buy-outs in the mid to late 1980s mainly concerned the divestment of parts of large manufacturing conglomerates, either just before or just after the stock market flotation of the parent company. Although the scope for extensive privatization buy-outs across countries in central and eastern Europe (CEE) has been much discussed, it is evident that elsewhere such transactions have been generally spasmodic except in Austria (Wieser, Wright and Robbie, 1997) and Sweden up to the early 1990s.

TABLE 2 NEAR HERE

The importance of MEBOs in privatization in transition economies, varies considerably (EBRD, 1997). Direct sales of enterprises as MEBOs were the primary method of large enterprise privatization in nine out of twenty two countries in transition and the secondary method in four others. Hence, the rankings in Table 2 primarily reflect the value of enterprises privatized. Most of these countries were outside the former Soviet Union (FSU), except Tajikistan, Ukraine and Uzbekistan. In Hungary, for example, approximately a third of enterprises disposed of under the self-privatization programme were sold as buy-outs using ESOPs (Karsai and Wright, 1994).In Georgia, Russia and Moldova, management and employee ownership was mainly achieved through "give away" buy-outs through privatization voucher programmes that favoured insiders (Estrin and Wright, 1999). In addition, buy-outs have also been widely used for the privatization of large numbers of small and medium sized enterprises (Table 2 footnotes). In emerging markets, privatization management and employee buy-outs have also been notable in Zambia, with small numbers in evidence in Sub-Saharan African countries and Malaysia (Wright, et al., 2000a).

Conceptual Issues

Theories of self-management traditionally provided the basis for the analysis of the effects of enterprise ownership by employees (Stephen, 1984). In practice different employee ownership constitutions (e.g. labour-managed firms, worker-managed firms) complicated the approach, and ownership by senior managers, as a subset of employees in general, presented a further problem. In these circumstances, agency theory has gained wide acceptance as a convenient theoretical lens through which to analyse insider ownership and control (Shleifer and Vishny, 1997).

A major conceptual justification for privatization concerns the governance shortcomings of the State as an enterprise principal (Megginson and Netter, 2001). In State firms, a lack of share ownership by managerial and employee agents means that the incentive to raise firms value is weak or missing. Oversight by a ministerial principal may be better suited to revealing gross misconduct but may be ineffective in promoting and monitoring the attainment of performance targets.

MEBOs in developed economies involve the purchase of a business to improve the prospects for addressing agency cost problems through various mechanisms. The introduction of significant, if not controlling, insider equity ownership is expected to increase incentives for employee agents to perform. Importantly, insider share ownership is on an individual basis providing the scope to overcome the problems of collective employee ownership (Estrin, 1983; Ellerman, 1993). Closer monitoring, including board representation, by a small group of outside institutional shareholders with commercial objectives can alleviate the problems of government interference. The use of external finance, which carries with it a commitment to servicing that finance, also provides a hard budget constraint that was typically much softer under public sector ownership. The incentive and control effects of insider holdings in buy-out structures may be enhanced where shareholdings are themselves dependent upon the medium-term performance of the firm. The nature of the incentive, control and financing mechanisms involved in privatization buy-outs can be adapted to provide the appropriate balance of managerial and employee discretion that minimises opportunism and enables entrepreneurial opportunities to be exploited. Both of these issues may have been problematical under public sector ownership (Wright, et al., 2000). However, in former state-owned enterprises, especially in transition economies, managers may not possess the requisite human capital skills to be able to respond effectively to changes in incentives. In these circumstances, an MBI may be appropriate to introduce entrepreneurial managers from outside (Barberis, et al., 1996).

The extension of shareholdings to the wider body of employees, either through direct purchase or through an ESOP, to some extent converts employees from agents into principals. The result is closer alignment of employees' goals with those of equity-holding management and any outside investors, leading to improved incentives to enhance productivity and performance. By becoming shareholders, employees may be encouraged to monitor themselves, reinforcing the vertical supervisory structure. This may be especially important where tasks are non-routine, requiring judgement, particularly entrepreneurial judgement, on the part of employees. The extent to which employee ownership in a buy-out generates these gains may, however, be dependent on employees' participation in decision-making and perceptions of whether they "feel like owners" (Pendleton, et al., 1998).

Besides these positive benefits however, insider ownership (without external monitoring) can in theory also lead to negative, entrenchment behaviour by employee agents, as they forgo increases in firm value to protect their own job-security and job-based sources of utility (Shleifer and Vishny, 1997). This possibility is exacerbated in transition economies, where capital markets are under-developed, and "giveaway" privatizations render unnecessary any investments from insiders' own funds, where

executives in any financing institutions may not have the requisite monitoring skills, and credit may not be "hard" where bankruptcy legislation is weak and/or where the extension of inter-firm credit is prevalent.

In MEBOs that arise from "giveaway" voucher privatization programmes, incentive and control mechanisms may be problematical. The general absence of the need to take on external finance to fund the purchase weakens or removes the governance effect from the pressure to service credit. In the absence of outside pressure, the extent to which restructuring will take place depends on the motives for insiders to hold shares. Management and employees may acquire shares for insurance (i.e. entrenchment) as well as for equity investment purposes. In the former case restructuring is expected to be low as insiders seek to protect their positions. A culture of social ownership of assets may have an important influence on the choice of some of insider ownership as the preferred privatization mode and reinforce this kind of entrenchment attitude. If insiders acquire shares for asset purposes, they may decide to sell shares to outsiders once private information about company prospects have been reflected in share prices. Management may prefer outside control where they are oriented towards restructuring since outsiders can provide the necessary injection of funds. Acquisition of shares by outsiders may lead to a change in control and the ability to effect restructuring. Moreover, outsiders may be the only feasible source of finance for investment. Employees may be tempted to sell shares where they need to realise capital gains to purchase consumer goods and where their dispersed shareholdings convey little influence on the control of an enterprise (Earle and Estrin, 1996).

Agency theory, therefore, identifies the capacity of manager and employee ownership to generate negative entrenchment effects, as well as positive effects flowing from improved incentives, with "giveaway" privatizations tilting the balance towards a net negative outcome. In addition it must be recognised that any positive feelings of "belongingness" felt by employee owners towards their firm can be negated by ownership without a significant share of control in the form of concrete participation in important enterprise decisions. As with the potential agency trade-off between improved incentives and insider entrenchment, it is to be empirically determined whether employee participation and belongingness, on the one hand, or disillusion and cynicism with token participation on the other, are dominant in the west and in transition economies. The balance of these forces of course influences productivity.

Longevity and Survival

In general, the longevity and survival of a buy-out structure as a long run indicator of firm performance is influenced by the objectives of the managerial and employee shareholders, the objectives of any funding institution and the exigencies of the market that affect the firm itself (Wright, et al., 1994). Financing institutions may need to obtain an exit from the buy-out within a particular time period, especially if they are closed-end funds. Life-cycle theories suggest that the most important characteristics likely to influence the longevity of a buy-out are rapidly changing markets, a fast growing company, the concentration of markets making economies of scale and scope necessary for survival and relatively high levels of merger activity. Privatization buy-outs whose expansion or development had been frustrated by the constraints of state ownership may pass through an initial growth spurt when they are first privatized, only to come up against new constraints that force them to exit in order to continue to develop or even survive. Privatization policies to restructure industries and markets through the break-up of large state monopolies may be subsequently followed by intensive merger activity as part of the search for a new stable industry structure. In transition economies, the need for finance, especially where privatization has involved a "giveaway" buy-out, may have major implications for longevity and survival. Enterprises may need to seek strategic partners and to make themselves attractive to potential partners. Where this is not possible, enterprises may be expected to languish for some time, especially if the enforcement of bankruptcy legislation is weak. Comparing developed and transition economies, in general developed labour and

capital markets in the former may generally provide greater scope for exit by factors of production than in the latter.

ESOPS and other newer forms of employee ownership may appear in principle to offer greater potential for the longevity of EBOs (Jones and Mygind, 2000). In contrast to cooperatives, there is usually the presence of a commercially oriented managerial cadre and expectations of democratic control, with its downside problems (as well as potential benefits), are typically weaker. In contrast to more narrowly defined MBOs, the presence of a significant, concentrated body of shareholders in the ESOP may reduce the possibility that the firm will be sold over the heads of the employees. However, other factors may create pressures for further ownership change. In leveraged ESOPs, as the head loan is repaid, share values multiply, providing a strong incentive for employees to sell. As dividends are rarely paid, exiting may be more attractive as it provides the only direct financial reward from ownership. The presence of internal share markets can enable employees to sell without the firm itself changing its overall ownership structure. However, it may be the case that share ownership becomes more concentrated over time. Efforts to restrict share sales by imposing lengthy retention periods or limited internal trading, may be undesirable since they can tie up the capital of low income earners and reduce the opportunity to realize gains from investment.

Hence, employee ownership in buy-outs may be a transitional stage in the development of an enterprise. Although this may be undesirable where the objective has been to promote the social aspects of share ownership, wider employee share ownership of a privately held business may be appropriate only for a particular period of time. Changing market conditions and the objectives of the equity holders may mean that, in order to continue to be economically successful, the ownership structure needs to change.

In transition economies, the stability and longevity of insider ownership in voucher buy-outs may depend heavily upon the objectives of employees and managers. If employees value current employment in the firm above future (uncertain) employment in the private sector they may be reluctant to sell to outsiders who are likely to enforce restructuring (Filatotchev, et al., 1999a). If managers prefer insider control, they will buy shares from employees. This approach to entrenching their position may especially arise if they are “Red Directors” appointed during the Soviet era and are less optimistic about their employment prospects on the external managerial labour market. Managers may be able to influence the nature of share sales by requiring employees to either sell their shares through manager-controlled companies or to offer shares to other managers and employees. These arguments would suggest a persistence of insider control but with a reduction in employee shareholdings and a corresponding increase in managerial shareholdings. Where managers prefer outside control they may still buy shares from employees, reselling them to outsiders at higher prices.

Methodologies

An empirical review of MEBOs and their impact in the west and in transition economies must confront a host of methodological problems that obstruct comparisons and conclusions.

It must be recognised that assessing the impact of MEBOs, whether purchased or given away, is considerably more problematical than the case of privatization through stock market flotations. The amount of public information available on buy-outs is generally limited by their status as private companies. Ironically, information on the main independent governance variables, i.e. employee ownership and control, is often more freely available in transition economies than in the west as a result of extensive surveys. The measurement of firm performance presents severe difficulties however. Generally there is a choice between accounting-based variables like profit and productivity that are severely compromised by mis-reporting and inflation-adjustment problems, and “softer” measures of firm

performance (e.g. employment levels, human resource investments etc), strategies and insiders' attitudes. In the UK, performance data are publicly available for all but the smallest of private companies. Although the relevant financial reporting legislation has been enacted in many transition economies, there are problems in its enforcement especially in private firms where attempts may be made to hide profits from the state and from organized crime (EBRD, 1998). Analysis may be made difficult because of the problems of inflation and devaluation over time and by the fictitious reporting of asset values in an environment where assets may be transferred out of companies by dominant owners (Estrin and Wright, 1999).

As a result, studies often rely on survey questionnaires or case studies rather than archival accounting and financial data, and, of course, performance information collected through surveys may also be subject to measurement error. These problems are exacerbated by the differences between reporting regimes both between developed and transition economies and within each of these blocs. In the case of surveys, a further fundamental problem often prevents assessment of the representativeness of samples: the general absence of information on the population of employee-owned firms.

Once insider governance, strategies, attitudes and performance have been measured, causal ambiguity represents a further major problem. Selection bias may distort results, e.g. preceding performance may influence governance, and resolution of this problem usually requires measures of preceding levels of variables that are often unavailable. Non-governance influences on strategies and performance must also be controlled for. Where feasible, these methodological problems and the way in which they are addressed will be discussed below.

Evidence

This section reviews the evidence from developed and transition economies regarding the impact of privatization buy-outs. The analysis begins with a review of evidence on the estimated *productivity and profits* impact of managerial and employee ownership on firm performance in transition economies within the FSU and in central and eastern Europe (CEE). Given the rather ambiguous outcomes from these studies, reported below, the analysis then proceeds with reviews of evidence relating to the *attitudinal* influences on performance, *strategic* influences behind productivity performance, and *alternative*, deeper measures of performance besides profit and productivity.

In each case, comparisons are made with research results in western countries. In this latter respect, fresh evidence is provided from the authors' research on the longevity and survival of MEBOs in the UK and Western Europe and on the gains on realisation of investments.

Productivity and Profits Performance

In this section, we review evidence from developed economies, then individual transition economies and finally from Djankov and Murrell's (2002) meta-study.

i. Developed economies

D'Souza, Megginson and Nash (2001) find that in their sample of 118 enterprises worldwide privatized through IPO profitability decreases as employee ownership increases whereas higher amounts of foreign ownership lead to larger gains in post-privatization efficiency. Evidence relating to efficiency gains in privatization buy-outs in the UK, however, is limited to a number of cases studies which may not be representative of the population. In a series of papers, Parker and colleagues (Parker and Hartley, 1991a,

b; Martin and Parker, 1995) examine the effects of various forms of organizational status change involving state-owned enterprises in the UK, including IPOs of the major utilities, corporatization of the Post Office, and the MEBO of National Freight (NFC). They find evidence that in general, labour productivity growth in NFC post-privatization was substantial and above that for most other firms they examined, supporting their argument performance will increase as firms move closer towards being owner-managed in a competitive environment.

A study of the 22 privatization buy-outs in Austria up to 1995 that were domestically based and which had more than 10 employees showed that of the 14 providing data, 10 reported an increase in labour productivity in relation to just before the buy-out. This growth appears to be related more to reductions in employment than to increases in turnover. In Austria, privatization buy-outs have tended to occur in lower performing enterprises where few if any other buyers were available.

ii. Transition economies

In contrast with these positive performance outcomes in developed economies, empirical performance studies on employee ownership in transition economies provide, on balance, a rather mixed view. First, we consider single-country studies. We restrict our focus to those studies that provide data on inside ownership compared to other forms.

TABLE 3 NEAR HERE

Productivity performance data suggests that no one ownership form is consistently associated with higher productivity in transition economies. However, 9 of the 18 studies listed in Table 3 report a significant positive association of insider ownership with some conventional measure of performance, with 6 inconclusive. A negative association was found in only 3 studies.

Arguably, such a mixed result should be unsurprising in the context of a wide range of different contingencies faced by firms, including firm size, industrial classification, national institutions, privatisation policies, etc. In addition, attention must be paid to quality considerations in the studies surveyed. For example, in the “positive” studies in the upper part of Table 3, only Mygind (1997) and Jones and Mygind (2000) use large stratified samples of firms. Earle and Telgedy (2001) use robust specifications that are generally matched by two of the “negative” studies at the foot of Table 3, by Frydman et al. (1999) and Jones (1998).

These latter studies at least begin to address the problem of selection bias, i.e. managers and other employees may use their inside information to “cherry-pick” the best enterprises. In addition, insiders may be able to take advantage of their insider information to understate the true value of the enterprise by under-reporting pre-privatization revenues. In these circumstances, it is not clear whether subsequent increases in productivity and performance are due to the effects of management incentives or to the distortion of initial information. Frydman et al. (1999) test for this selection bias problem, as well as several others, by contrasting the pre-privatization performance of managerially-controlled firms in Czech Republic, Hungary and Poland with that of firm controlled by other types of owners and find no ownership related bias in the selection of firms for privatization. They find that in contrast to outsider controlled firms, insider controlled firms post-privatization do not show increases in revenues and productivity.

Jones (1998) points out that with considerable changes in ownership structures following privatization (see below), there is also a need for studies of productivity to include specifications relating to ownership and control transitions. Using specifications that emulate Frydman et al. (1999), Jones finds for Russian data that the privatization effect on productivity is much weaker. When ownership transitions are incorporated, firms that remained employee owned experienced falls in labour productivity of 17% per annum compared to state firms. Where managers remained as dominant owners, productivity was insignificant but costs fell substantially relative to state firms. However, formerly state owned firms that became owned by managers during the period to 1996 performed less well, especially where managers had high levels of influence, suggesting entrenchment behaviour (Filatotchev, et al., 1999). Former employee owned firms that became bank-owned showed the greatest increases in productivity.

It can be seen, therefore, that, while the numerical weight of studies surveyed report a significant positive association between insider ownership and performance conventionally measured, two of the "negative" studies did use more robust techniques.

Besides these individual studies, in their "survey-of-surveys" (meta-study) covering 37 different reports, Djankov and Murrell (2002) considered all forms of industrial firms and not just privatized ones, both in the FSU and elsewhere in CEE, and they include studies that do not distinguish insider from other forms of private ownership. With a wide range of performance variables (see below) analyzed in relation to ownership patterns across a number of countries, time periods and sample structures, meta-analysis presents aggregation problems. Djankov and Murrell (2002) initially provide comparisons of coefficient means for State and privatized firms. They then go on to analyse ownership variations beyond the State/private dichotomy. From 24 studies in 20 countries, they categorize 11 different ownership dummy variables. GLS regressions are then used to provide composite estimates of the association between ownership dummies and performance. However, performance in individual studies was variously measured with reference to labour productivity, total factor productivity, profitability, total sales, etc.

Their overall finding for the FSU was that, using the (negative) performance association with State ownership as a benchmark, manager and employee ownership appear to have opposite and countervailing associations with productivity performance, with managers having, on balance, a positive, and employees a negative, association. In firms that did not distinguish managerial from employee ownership, the net outcome was positive for all insiders, as for managers. For CEE, however, the association of manager and employee ownership with performance was insignificantly different from State ownership.

However, a major concern of Djankov and Murrell (2002) in their meta-study was to evaluate the studies in terms of adjustment for interaction between ownership and performance. This interaction could include selection bias, e.g. a tendency for the State to privatize firms depending on their performance, technology or size, etc., or any propensity for managers to cede ownership and control to outsiders in weakly performing firms. In other words, performance can influence ownership, either lagged or with simultaneous, reciprocal causation (Finkel, 1995). While the use of prior ownership distributions can be used to take advantage of the time precedence criterion, the use of different time lags and 2SLS techniques reduces, but does not eliminate, the problem. Sequential surveys facilitate analysis in terms of change variables, but in this case there is an important need for quality-adjusted price indices in a period of rapid technological change, when, for example, exporting activity leads to improved product quality controls (Grigorian, 2000).

This mass of evidence on the association between insider ownership and conventional performance measures is difficult to synthesise. The finding of a positive association is common in developed western countries, and the numerical weight of studies in transition economies supports this result, but there are serious doubts about possible selection bias in many of these studies. A meta-study finds a positive

association for managerial ownership in the FSU (where "giveaway" buy-outs dominated), but not for workers. Neither produced an association significantly different from that for State ownership in CEE, where purchased buy-outs were more usual.

Given this inconclusive outcome, it may be argued that meta-analysis and reviews of studies relying on conventional measures of performance can be usefully complemented by surveys that target other variables. Although Djankov and Murrell (2002) criticise the use of "softer" internal variables on which there is (p9) "no consensus" in the literature, it seems worthwhile to initiate a supplementary line of investigation that focuses on the strategic decisions that mediate enterprise governance and performance. This seems particularly appropriate when there is also no unanimity on conventional performance measures. Therefore, after a review of *strategic choices* and their association with governance variables, we consider an even *wider range of performance measures*, in order to build up a wide body of evidence drawn from different perspectives.

First, however, it is necessary to investigate the *attitudes to employee ownership* that presumably lay behind productivity variation.

Attitudes to Ownership

Managers' and other employees' actual participation in decisions, and perceptions of where control resides, may be important influences on observed and future productivity levels.

i. Developed economies

Bradley and Nejad (1989) in their study of the MEBO of the former state-owned National Freight Corporation, found significant differences in perceptions of the impact of ownership on cooperation and identification between employee shareholders and non-shareholders. Evidence from a sample of 234 employees in four UK bus companies privatized using ESOPs shows, using multivariate analysis, that feelings of ownership among employees were positively associated with commitment to the firm, satisfaction and perceived changes in attitudes and behaviour (Pendleton, et al., 1998). Employees with a greater feeling of ownership were also less likely to consider quitting the firm. However, work-group relationships were also found to be as powerful a determinant of commitment as ownership. This suggests that changes in ownership may need to be accompanied by changes in the behaviour of other employees if higher levels of commitment and satisfaction are to be secured from individual employees. Opportunities for participation in decision-making were more important in generating feelings of ownership than employee ownership per se. The study also suggested that variations in feelings of ownership were associated with the number of shares held by individuals. Employees who have higher relative levels of share ownership and perceptions of participation were significantly more likely to feel more like owners and in turn to have relatively high levels of commitment and satisfaction with the organization.

ii. Transition economies

Russian evidence suggests that although employees may have significant equity stakes, their involvement in boards of directors and other control mechanisms is generally very low (Filatotchev et al., 1996). Indeed, a substantial majority of workers in privatized Russian firms believed senior managers were the dominant owners of the enterprise, even where workers owned significant shares (Lissovolik, 1997). Estrin et al. (1996) show that management and executive boards, followed by managerial shareholders have the greatest influence on decisions regarding sales, production, employment, social benefits, investment, etc. However, employee ownership was found to be consistently greater than for other actors

except management, with workers being moderately influential over the allocation of profits, especially in employee owned firms.

In the early stages of the transition process, employee board representation appears to have declined between the year prior to privatization and one year afterwards. In contrast, employee participation in decision making increased a little after privatization in terms of formal and informal consultations, particularly in terms of formal consultation with workers' assemblies on strategic issues. Later evidence indicates that during 1995-97 there was a slight fall in the number of companies in Russia with employees sitting on the Board (Filatotchev, et al., 1999d). Where they do have board representation, employees on average hold 2.7 seats compared to management's 3.3.

The low level of influence of employee shareholders is also evident from Hungarian enterprises privatized through MEBOs (Karsai and Wright, 1994), with senior managers typically playing a major role as leaders of the ESOP. Employees in these enterprises did not see themselves as owners but rather focused attention on receiving higher wages and keeping their jobs. Similarly, Neumann's (1994) case study of the Kanisza Brewery buy-out in Hungary illustrates the reluctance of employees to challenge dominant managers even at the shareholders' general meeting. Lajtai (1997) notes management's awareness of the need for frequent communication with employees in his study of six Hungarian buy-outs but finds that the quality of communication is not good, being primarily oral, and performance information being limited. Latjai suggests that managers are reluctant to see employee owners directly involved in strategic decision-making as their background would likely prevent them from participating effectively, although they have no plans to educate employee shareholders. To avoid conflicts of interest where an employee is both president of the ESOP in a firm and an influential member of the board of directors, some firms were reported to be inviting outside professionals on to the board as representatives of the ESOP.

Rock and Klinedinst (1997) report from their survey of 4,000 manufacturing employees in Bulgaria in 1992 that only about a quarter were willing to invest in their enterprise at that point, although they comment that this period was very much the low point in the transition process. Nonetheless, there were some agreement by the employees that if they were to purchase shares they would work harder, ensure output quality, etc. They suggest that from their case study evidence, worker participation in decision making continues to vary widely but has not generally increased during transition. However, in cases where workers have gained majority control of enterprises, participation in decisions has increased dramatically.

As with conventional productivity studies, therefore, the evidence from surveys of MEBO employees' attitudes is also very mixed for developed and transition economies. Besides employees' attitudes, however, firm strategies (e.g. human resource strategies, downsizing, exporting strategies) can mediate governance and performance. This governance-strategy-performance approach seems useful as a complement to direct governance-performance surveys. Reciprocal causation may still be a problem, but in this case any feedback effects of performance on governance structures must first be mediated through strategies. Separate governance-strategy and strategy-performance investigations may be argued to give less ambiguous results.

HR Strategies

i. Developed economies

Analysis of buy-outs indicates that, controlling for other factors, the participation of employees in firms' decisions in privatization MEBOs is associated with a different approach to employee relations reported after the buyout (Bacon, et al., 2001). Using a representative sample of 140 UK buy-outs completed between 1994 and 1997, they find that MEBOs, which are generally privatizations, were more likely than other forms of buy-out, including MBIs and MBOs, to report: the existence of an HRM strategy; trade unions recognised for collective bargaining currently and prior to the buyout; the protection of employment levels; a greater number of methods used by management to communicate with employees; harmonised terms and conditions; annual appraisals alongside merit pay and employee share-ownership; and employee involvement in quality circles and teams. In contrast, more narrow MBOs were more likely to report a change in approach to managing employees, annual appraisals for employees and profit-related pay. The introduction of outside managers, as in buy-ins and hybrid management buy-outs/buy-ins was more associated with lower levels of union recognition, annual appraisals for employees and profit-related pay. In the buyouts where employees are not involved in ownership it appears that the main HR lever is to connect pay with the profitability of the buyout.

ii. Transition economies

Earle, et al. (1996) find in Russia that wages were lowest in worker-owned enterprises. A survey of Russian enterprises by the International Labour Organization (ILO), conducted in 2000 and analyzed by the present authors shows that there is no significant association between employee ownership and wages for managers, skilled and unskilled workers. Bonuses for managers and skilled workers were, however, found to be significantly higher when employee ownership was high, and similarly for two categories of workers' benefits. Similar results were found in a survey of Ukrainian enterprises in 2000, by Buck et al., (2001) who report that employees and managers did sacrifice short term profitability to promote employee benefits, higher wages, training, etc as immediate sources of employee utility. Higher wages were also associated with higher levels of insider ownership. Buck et al. (2001) also showed that higher spending on social benefits for employees (either on the old Soviet model of welfare provision or on patterns proposed by new, high-commitment human resource management) was associated with improved firm performance. Cost-cutting HRM strategies were found to have a consistently negative influence on performance in the context of the FSU.

This study provides a contrast with earlier evidence from ILO surveys in the mid-1990s that show relatively low wages in employee-owned firms compared with other forms of ownership, although employee-owned firms did tend to pay substantial productivity bonuses, social benefits and profit sharing (Vaughan-Whitehead, 1997).

Mygind (1997) finds from a large sample in Estonia that employee and management ownership were associated with downward flexibility of wages. In contrast, in Lithuania, wage levels were generally higher in employee and manager owned firms. Evidence suggests that in Polish management employee buy-outs wages initially rose faster than in other firms, especially in larger firms, but were subsequently controlled (Nuti, 1997; Jarosz, 1994; Filatotchev, et al., 1996). Similarly, in Hungary, Latjai (1997) finds in his study of six buy-outs that wages increased in the year of privatization but had subsequently been controlled.

To summarise this section, there is no evidence that buy-outs in western and transition economies have consistently favoured higher wages for their insider owners, but some indications that progressive HRM strategies have been encouraged. Of course, employment levels are important features of HRM, but these phenomena are considered later under alternative measures of firm performance, below.

The heterogeneity of traditional performance studies surveyed by Djankov and Murrell (2002) and their reliance on accounting data without rigorous adjustments for inflation, financial reporting, etc. suggests that a wider spectrum of alternative measures of performance should at least be considered to widen the evidence base; it is to these that we now turn.

Employment Performance

Employment levels are a rather ambiguous aspect of enterprise performance, depending on the firm's circumstances. Thus, high employment accompanying high production may indicate success while high employment at other times may constitute blatant over-manning, which has been a main prediction of agency theory.

i. Developed economies

In Bacon, et al.'s (2001) recent study of all UK buy-outs, a majority (60%) of the buy-outs, that were completed at a time of economic buoyancy, indicated an *increase* in the total number of employees compared to before the buy-out. Over a fifth (22%) reported a decrease in employment. Most buy-outs indicated no significant changes in the number of temporary employees although more reported an increase in the use of temporary labour than a decrease. For example, 24% indicated an increase in the employment of part-time employees (8% reported a decrease), 13% an increase in employees on fixed-term contracts (7% a decrease), 14% an increase in contractors (7% a decrease) and 20% an increase in temporary agency employees (10% a decrease). Comparing the types of buy-out the most notable change was the increased use of part time employees reported by those where outsiders were involved, 67 % of Investor-led buy-outs (IBOs) and 43% of MBIs. In contrast only about a fifth of MBOs and MEBOs where privatizations were concentrated saw an increase in the number of part-time employees.

Following a shake-out of employment at the time of ownership transfer in Austrian privatization buy-outs, the vast majority of enterprises had increased employment at the time of the survey (Wieser, et al., 1997). In comparison, studies of privatizations in developed market economies involving stock market flotations generally find that employment falls post-privatization but is invariably accompanied by large compensating performance improvements (Megginson and Netter, 2001), although D'Souza, et al. (2001) find that their sample of 118 enterprises worldwide privatized through IPO achieved performance improvements without reducing average total employment.

In general, therefore, employment levels have been relatively buoyant in western buy-outs, after initial falls, post-privatization.

ii. Transition economies

The balance of findings for transition economies in Table 4, however, with 9 out 19 studies showing *more* employment reductions in MEBOs, provides a contrast with the west.

Brown and Earle (2002) show that after privatization, job destruction in Russian firms appears to have been focused on firms with the with lowest productivity and to have led these firms to create jobs less actively post-reform. However, they do not distinguish insider and outsider ownership in privatized firms. Table 4 summarises studies relating to employment changes following privatization. A number of studies show marked falls in employment but consider only buy-outs or do not distinguish between managerial and employee insider ownership. Table 4 shows that generally in the initial period following privatization (usually one to two years) management and employee ownership has been followed by a reduction in employment. There are mixed results regarding whether this is less than under other non-insider

ownership forms but on balance insider ownership appears to lead to less reduction in employment than ownership by outsiders, but greater decreases than in SOEs.

TABLE 4 NEAR HERE

In Russian privatization buy-outs, non-managerial employees do not seem to have been responsible for either blocking or promoting restructuring (Earle, et al., 1996). Evidence from a sample of 314 Russian enterprises privatized during the voucher programme and surveyed in 1996 suggests that changes in employment are strongly positively correlated with changes in sales rather than the form of buy-out, that is voucher buy-out versus purchase buy-out (Filatotchev, et al., 1999b). However, Aukutsionek and Kapelushnikov (1996) find in their survey of privatized Russian enterprises that about 60% suffered from labour hoarding as enterprise directors saw they had a social responsibility to employees; this share was only slightly below that for state-owned enterprises.

Using data from 541 Ukrainian enterprises surveyed in 1994-5 by the ILO, Vaughan-Whitehead (1997) finds that the highest fall in employment was experienced by employee-owned firms and leasehold enterprises. This decline was greater than that found in the ILO's survey of Ukrainian firms in 1993-4 when employee-owned enterprises had one of the lowest falls in employment. Vaughan-Whitehead finds that employee-owned firms tend to delay lay-offs more than other ownership forms, preferring to seek alternative forms of restructuring. Results from a sample of privatized enterprises in Russia, Ukraine and Belarus surveyed in 1998 also indicates that, contrary to expectations, employee ownership is not significantly related to employment (Buck, et al., 1999). Managerial equity ownership, but not non-managerial employee ownership was significantly negatively related to employment reduction, providing some indication of entrenchment behaviour. Outside institutional shareholders in these three FSU countries were found to have an insignificant impact on changes in employment levels (Filatotchev, et al., 2000). Munteanu (1997) also reports on the basis of large scale data from the State Ownership Fund in Romania that management employee buy-outs in all sectors experienced reductions in the total number of employees, though it should be noted that in Romania conditions attached to obtaining favourable financing placed restrictions on the reduction of employee numbers.

Hungarian buy-out evidence regarding employment changes is mixed and may be the result of small scale case studies that may not be representative. One study using 17 privatization buy-out cases suggests that managers recognised the need to gain acceptance for restructuring from employees and thus, despite the lack of involvement of employees in formal decision-making, were cautious in reducing employment except where the financial performance of the company had deteriorated substantially (Filatotchev, et al., 1996). Employment rose in only one case while in the seven cases where employment fell, the reduction varied from 10-31 per cent. Lajtai's (1997) study of six Hungarian cases privatized as management and employee buy-outs finds an average reduction in the workforce of 20 per cent on privatization and 5 per cent per year thereafter. Borbély (1994) cites the case of the Metrimpex to illustrate the impact of the pressure to service debt and deteriorating market conditions. Significant reductions in employment in lease buy-outs, exceeding that for the economy as a whole and falling faster than before privatization, is reported in Poland (Filatotchev, et al., 1996). In the Baltic states, Mygind (1997) reports lower reductions in employment in employee owned firms in Estonia and Latvia but a greater reduction in insider owned firms in Latvia.

Restructuring

Besides reductions in employment, restructuring activities and outcomes encompass changes in products, production and service processes, asset portfolio restructuring, and changes in the relative emphasis of domestic and export markets. These aspects are examined below.

i. Developed economies

Research on restructuring in privatization buy-outs in the UK is primarily case study based, such as NFC (Bradley and Nejad, 1989), RFS Industries from British Rail and Unipart from Austin Rover in Wright, et al., 1993). The MEBO of Unipart from its highly cash-constrained automobile producer Austin Rover was followed by substantial growth over the next decade arising from increased investment in a new part delivery system, diversification away from but also new long-term contracts with the former parent, the adoption of Japanese production methods and the development of a worldwide customer base (Wright, Hoskisson and Busenitz, 2001). The introduction of a share option scheme linked to employees' individual performance contributed to substantial cost savings. In contrast, although RFS Industries displayed initial improvements, it subsequently experienced major problems (see below).

A study of restructuring in the 22 Austrian privatization buy-outs with more than 10 employees found that the most important and widespread changes were more flexible decision-making processes and higher employees' motivation resulting from higher independence following buy-out (Wieser, et al., 1997). A reduction in the influence of political factors and trade unions was also widespread. While there was little change in products, reflecting the pre-privatization emphasis on product quality, there was more of an emphasis on cost efficiency and a more market-oriented approach. Employees were reported to be a key factor in effecting corporate changes. The cultural changes in privatization buy-outs appear to be more extensive than in enterprises privatized through stock market flotation. Hence, it is not surprising that the vast majority of enterprises reported financial problems.

The effects of privatization buy-outs in Austria stand in some contrast to UK experience, where changes in cost efficiencies and restructuring were more important and changes to more flexible decision-making processes of lesser importance.

ii. Transition economies

Filatotchev et al. (2000) in a study of manufacturing firms in Russia, Ukraine and Belarus address selection bias by taking the ownership structure that preceded strategic change. The usual controls for size and industrial classification have been employed to reduce the risk of absent variables giving spurious estimates of associations between variables. They find that managerial ownership was associated with a reluctance to take necessary (employment and capital) downsizing actions.

Employee dominated firms were significantly less likely to involve managerial turnover than outsider dominated firms but significantly more likely to do so than manager dominated firms (Filatotchev, et al., 1999b). Using qualitative restructuring indices, Estrin and Rosevear (1999b) find that, consistent with Russian studies, ownership type in Ukraine is not related to performance, measured in terms of management and labour restructuring and financial restructuring following privatization, although product and input restructuring was found to be stronger in insider owned than outsider owned firms.

Filatotchev et al. (2001) extend Earle et al's. (1996) finding for that employee-owned and outsider-owned firms in Russia export significantly more than firms with other forms of ownership. They focus on exporting as a percentage of total sales as a key strategic outcome, since this exposes firms to the need for improved quality control. Presenting four different models for the identification of causation (including lagged preceding exporting levels as an indicator of previous exporting experience), they show that, while ownership structure had an insignificant direct association with performance, governance did affect mediating strategies, and different strategies were in turn related to performance. For example, managerial ownership was positively related to a product strategy that focused on domestic rather than export markets, and to a strategy of product diversification through firm acquisition. In turn, these strategies were negatively associated with export performance. In each of these studies, between-country variations were insignificant. If confirmed elsewhere, these findings of managerial ownership apparently holding back necessary downsizing strategies and export-oriented strategies may have serious implications for conventional measures of performance.

Interestingly, the influence of outsiders through board representation may have as important an impact as equity ownership on some aspects of restructuring in the FSU. Despite majority managerial control, outside board representation in FSU enterprises tends to be positively associated with presence of a foreign partner and export-oriented product development (Filatotchev, et al., 2001). Increases in outside control are negatively associated with external acquisitions and positively associated with managerial turnover.

Substantial levels of employee ownership in enterprises may not afford a significant degree of decision control in the face of acute business crisis or the effect of their control may be neutral in retrenchment terms. The unresponsiveness of restructuring to employee ownership may have been because of employees' apathy and social immobility (Bim, 1996), the giveaway nature of the share distribution process (i.e. low stakeholder legitimacy), restrictions on share sales that gave employees little incentive to act as shareholders or because of the generally low level of employee representation on boards or strategic decision-making bodies.

Comparative evidence of the effects of buy-out mode on restructuring by Djankov (1999a) relating to Georgia and Moldova shows that enterprise restructuring was faster in companies purchased by insiders at realistic valuations, principally managers, than in cases where enterprises were given away through voucher schemes that also favoured insiders. Djankov finds that productivity, asset sales and renovations were significantly greater in the "purchased buy-out" cases, while voucher buy-out cases did not restructure to any greater degree than SOEs. These findings suggest that insiders' incentives to restructure decrease when they perceive ownership as a windfall gain.

Further insights into the impact of privatization type are provided by Barberis et al.'s (1996) study of Russian shops. In their sample of 353 shops providing ownership structures, they find that after adjusting for selection bias through 2SLS, in the 52% of the sample that were MEBOs, there was no evidence that equity incentives had promoted greater restructuring in terms of renovations, longer store hours and lay-offs. In contrast, shops that had been subject to MBIs or other forms of outside ownership did experience significant restructuring. Barberis et al. argue that these findings suggest that human capital skills may matter more than incentives. However, using data from Czech Republic, Hungary and Poland, Frydman, et al.(forthcoming) find no evidence to support this argument but instead suggest that certain ownership types provide the incentives that allow entrepreneurship to manifest itself in performance.

Again, as with strategic choices and conventional performance measures, MEBOs produce a wide mix of evidence, though it seems clear that the worst fears of agency theory in relation to employee entrenchment behaviour have not been widely supported by survey evidence.

Performance in Terms of Longevity, Survival, and Exit Gains

Time is an important variable missing from most of the extensive literature on MEBOs in transition economies. This contrasts with research in the west, which sees enterprise evolution as an important long run aspect of MEBO performance that extends beyond short-term strategy and performance studies. This is surprising both because of the dynamic nature of transition economies and since a frequently cited objective of MEBOs has been to promote rapid, irreversible privatisation, giving enterprises valuable time to prepare for possible flotation and certainly to implement internal restructuring that renders the firm more appealing to outside investors offering more commitment to the firm than mere "asset-strippers". In addition, MEBO failure represents the ultimate measure of weak performance.

i. Developed economies

The existing privatization literature has paid little attention to the extent to which privatization buy-outs are a transitory phenomenon or not. Evidence on longevity is important for a number of reasons. First, it offers insights regarding the duration of policies to promote wider ownership. Second, it provides a further measure of the success of privatization in terms of indirect evidence on longevity of the productivity effects of the governance and incentive structures that are introduced. Third, the extent and timing of failure provides insights regarding issues concerning the use of management buy-outs to privatize poorly performing activities that could not otherwise be transferred to the private sector.

Based on the whole population of privatization buy-outs in the UK, Wright et al. (1994) show that privatization buy-outs were significantly more likely to change their ownership form and to do so more quickly than non-privatization buy-outs. The analysis of buy-out longevity, i.e. the examination of the number of years for which buy-out structures remain in place, is made difficult since it may take many years for all buy-outs to change their ownership structure. Two main approaches can be adopted. First, comparisons can be made between the percentage of different cohorts of privatization and non-privatization buy-outs that have ceased to have a buy-out ownership structure at the end of a particular period. Second, the population of privatization and non-privatization buy-outs can be compared to identify the percentages of each type that have ceased to be buy-outs after one year, two years, etc.

TABLE 5 NEAR HERE

The study, however, includes data only up to end 1992, which was only part way through the UK government's privatization programme. Updating these data through to 1997, when a change of government virtually brought a halt to privatization, shows that the trend in exits was maintained throughout the programme. Table 5 presents comparative evidence of privatization and non-privatization buy-outs analysed by year of buy-out. In general, there is a much higher non-failure exit rate (which includes IPO, sale to third parties and secondary management buy-outs) of privatization than non-privatization buy-outs. The large variations in between-year exit rates for privatization buy-outs reflects the peaks in the sale of particular state-owned activities. This especially relates to buy-outs in the transport sector (bus services and rail) which have been particularly prone to being sold to third parties as the industry restructured following the break-up of large state-owned enterprises that occurred at the time of privatization.

The failure rate of UK privatization buy-outs has generally been below that for non-privatization buy-outs (Table 5), partly reflecting efforts to ensure the viability of enterprises at the time of privatization. UK evidence has suggested that where privatization buy-outs fail this has been due to diversification that has happened too rapidly outside the areas of firms' core skills and/or erosion of the market as a result of new entries (Wright, Thompson and Robbie, 1993). In the case of buyouts of local authority services, problems have been due to loss of core contracts and problems with commercially inexperienced managers (Robbie and Wright, 1996).

The generally shorter longevity of privatization buy-outs in the UK is evident from Table 6. Based on the population of over 8,000 buy-outs and buy-ins completed in the UK from 1981-98, it is clear that 31 per cent of privatizations change their ownership structure within three years, compared to half this level for non-privatizations. By year six after buy-out, over half of privatization buy-outs have exited compared to only 30 per cent of non-privatization cases. After this period of time, the exit rate then slows.

The longevity of privatization buy-outs appears to be industry and context specific. The exit rate from Austrian privatization buy-outs appears to have been much lower than is the case in the UK (Wieser, et al., 1997). The longer average longevity reflects a different business mentality that is reluctant to sell businesses and less developed stock and takeover markets. However, as the business sectors occupied by Austrian privatization buy-outs have generally tended to be specialised, there may also be less scope to sell or float the businesses. Outside Austria in Continental Europe, the exit rate from privatization buy-outs also appears to be below that for the UK, though the Centre for Management Buy-out Research only identified 17 such buy-outs among the countries listed in Table 1.

A further measure of the effectiveness of buy-outs is the extent of gains to equity holders when the investment is realised either through a stock market flotation or sale to a third party. These gains may be the result of the efforts of managerial and employee shareholders to create wealth. Importantly, there has been criticism that the gains to insiders have instead largely been due to initial underpricing at time of disposal by government. The underpricing of privatizations has been a general problem relating to both stock market flotations and buy-outs (Hodges and Wright, 1995) in both western and transition economies. The underpricing argument may have particular weight in buy-outs where insiders have access to private information and the sale occurs very shortly after privatization (Wright, et al., 1993). However, from a policy perspective it needs to be borne in mind that there is a trade-off between government objectives to maximise the budgetary revenues resulting from and the need to provide management and employees with sufficient incentives to undertake speedy privatizations. Valuation is always a subjective issue but may be more straight forward in developed as opposed to transition market contexts (Valentiny, et al., 1992).

Megginson and Netter (2001) show that there is convincing evidence that initial returns on privatization IPOs are significantly greater than the initial returns earned on private-sector IPOs. Examination of the gains on buy-outs poses greater problems than is the case for IPOs. Because of the private nature of information, the initial sale price may not be made public, the nature of the initial ownership structure is not in the public domain, it is not possible to track share prices and an eventual exit price may only be public if the buy-out achieves an IPO. Existing evidence is therefore patchy and has been based on a small number of cases that represent only a small subset of privatization buy-outs in the UK and may thus give a misleading picture.

Thompson et al. (1992) examine the excess returns over and above those available from the market earned between buy-outs and IPO for a sample of 31 UK deals that included privatization buy-outs. Although they find that the coefficient on the dummy variable for privatized firms was large it was generally insignificant because of high standard errors. Pendleton, et al. (1998) note that the share prices in two of

the bus companies in their sample companies rose from £0.05 to £4.58 and £3.80, respectively, within little more than five years following privatization as the companies were subsequently sold to third parties. The National Audit Office in the UK showed massive gains to insiders within very short time periods in respect of rail privatizations (NAO, 1998). For example, in the Porterbrook buy-out from British Rail, management increased their equity stake from £0.3 million to £83.7 million in eight months, while management in the Eversholt buy-out achieved an increase from £0.4 million to £57.2 million in one year.

TABLE 6 NEAR HERE

In an attempt to obtain a more general picture, the present authors obtained information concerning privatization buy-outs from CMBOR investment returns and from press coverage. Due to data restrictions, observations were available only for 31 privatization buy-outs (Table 6). Bearing in mind its potential limitations, this evidence does indicate however, that, although the returns in the Porterbrook and Eversholt cases are at the top end of the distribution, the mean return is, nevertheless, substantial (Table 7).

TABLE 7 NEAR HERE

A more general investigation by the Public Accounts Committee in the UK, provided evidence of excessive gains to insiders in privatization buy-outs that were subsequently sold (CPA, 1998). These gains occurred despite the development of mechanisms over the long period of the UK privatization programme to curtail underpricing problems, such as auctions, clawbacks, retained equity stakes and price-escalation (earn-out) clauses. This problem suggests both difficulties in valuing assets where former parts of state enterprises have not previously traded as independent entities as well as to the effects of the form of privatization on the dynamics of industry structure.

ii. Transition economies

MEBOs in developed economies have been associated with lower failure rates, relatively rapid conversion through flotation and trade sale, and serious doubts concerning under-valuation, which may be interpreted as MEBOs being too successful. However, the analysis of MEBO survival, longevity and exit gains in transition economies are severely restricted by the inability of researchers to monitor cohorts of firms over time, and there are clear opportunities for further research here. The continued expansion of managerial ownership stakes could produce quite a different scenario to that experienced in the west.

One option is to attempt to identify a consensus in the trends from a number of surveys by different authors over time. Estrin and Wright (1999) adopt this approach for Russia. Synthesising the results from nine separate studies covering the period 1994-1997 they find that insider ownership of privatized firms fell over time from a peak in 1994 of 69% to a low in 1997 of 52%. Among insiders there is a decline in employee ownership and an increase in managerial ownership (Estrin and Wright, 1999). The problems here relate to differences in sample coverage of different forms of privatization and the difficulties involved in obtaining representative samples in transition economies.

TABLE 8 NEAR HERE

An alternative approach is to examine changes over time in the same sample of privatized firms, either by identifying the changes retrospectively or by resurveying firms. A synthesis of the available studies is presented in Table 8, where Panel A shows changes in the mean stakes held by insiders in the sample over the survey period and Panel B shows changes in the share of firms owned by insiders over the sample period. Bearing in mind that the periods covered by the surveys are typically about three years, the studies in Panel A generally show an overall decline in insider ownership but with management's stake increasing while employees' stakes fall. In contrast, the study by Dkankov (1999b) of six newly independent states generally shows an overall increase insider ownership, with management's mean stakes increasing sharply while employee stakes fall. In those studies relying on resurveys, there may be a selection bias where enterprises not responding to subsequent surveys may be those where the share distribution has changed most, such as through a sale of the business. Similarly, studies taking a sample of enterprises in a later year and looking backwards at changes in ownership over time may also involve selection biases relating to (a) the inclusion only of surviving independent firms and (b) the inclusion of firms that were not privatized at the start of the period. For example, the falls from the large mean stakes held by the State reported in Djankov's study suggests that some firms may not have been fully privatized at the beginning of the period.

In Panel B, the Slovenian and Romanian samples relate to whole populations of firms, the increase in employee ownership over time reflecting the development of privatization programmes which masks any post-privatization ownership changes. In contrast, the falls in the percentage of privatized firms that are majority owned by employees and the rise in the percentage that are majority owned by management in Estonia, Latvia and Lithuania reflect post-privatization changes. Jones (1998) and Aukutsionek, et al. (1998) who also use changes in panels of privatized firms find mixed evidence of changes in the importance of insiders as dominant shareholders, with managers appearing to be more likely to take a dominant role than employees. Jones (1998) notes that the method of buy-out privatization is important, with voucher privatizations in Russia displaying greater changes in ownership than is the case for leasehold buy-outs. In comparison with these findings from buy-outs in transition economies, large corporations privatized through IPOs are also found to experience sharp reductions in their number of shareholders following privatization, while the reverse is true for smaller IPO privatizations (Megginson and Netter, 2001).

While buy-outs in the west have generally converted to outside ownership upon IPO, this has not proved common in transition economies. While gradual increases in outside ownership have been prevalent, a unique feature of buy-outs in transition economies has been the gradual build up of managerial stakes after privatization.

In this context, Russian evidence suggests that managerial purchases of shares from employees are already extensive, and it appears to be aimed at entrenching management's position rather than to overcome employee resistance by concentrating holdings to enable management to restructure (Filatotchev, Wright and Bleaney, 1999). Direct evidence of the impact of changes in insider ownership post-privatization is provided for Russia by Jones (1998), who shows that, where managers took over from employee owners, sales and productivity fell and costs increased but not as much as where managers took over from state-owners. The greatest gains in productivity occurred where employee-owned firms became bank-owned. Djankov's (1999b) study of six newly independent states in FSU suggests that increasing ownership by managers post-privatization was beneficial to labour productivity and asset sale restructuring. There is a need for further research on the direct impact of changes in employee and managerial ownership post-privatization in other country contexts. It remains to be seen in transition economies whether low failure rates and rapid exit to flotation and trade sale will follow the pattern of developed economies. If so, this may be the greatest achievement of the privatization movement.

Conclusions

This review has extended earlier reviews in terms of both theoretical perspectives and the scope of empirical evidence. The importance of adopting a multiple theoretical lens that goes beyond agency theory to encompass strategy and HRM perspectives has been emphasized. This paper has also shown the importance of examining dimensions of the effects of privatization other than productivity, notably employment changes, HR, and the longevity of post-privatization ownership forms.

While a meta-study by Djankov and Murrell (2002) concluded that (p6) "…privatization to workers has no effect in Eastern Europe and is detrimental in the CIS", it has been argued here that comparisons with buy-outs in the west, a consideration of employee attitudes, firms' internal strategies and wider performance measures qualify this conclusion to some extent.

The main conclusions from the available evidence presented in this survey of the wider impact of privatization buy-outs MEBOs are as follows. Although in both developed and transition economies, employees may have significant equity stakes, most buy-outs are MEBOs dominated by management in which employees have little participation in decision-making and limited perceptions of ownership. Higher levels of employee share ownership, as in privatization MEBOs in developed economies and voucher buy-outs with large employee stakes in transition economies, are more likely to be associated with a greater degree of employee-oriented human resource management strategies including bonus systems. The positive role of employee participation may be enhanced through building institutional arrangements inside privatization buy-outs to facilitate this involvement, which may be either voluntary or mandatory (Fitzroy, et al., 1998).

Privatization buy-outs in developed economies are typically followed by reductions in employment in the post-privatization period, with subsequent recovery. In transition economies, employee ownership is so far associated with reductions in employment levels. Although the evidence is mixed, the extent of lay-offs outside Russia and Ukraine appears to be less in insider owned privatized firms than in outsider owned firms. It is not clear, however, whether this difference between FSU and CEE countries reflects differences in the treatment of "surplus" employees. Employees may still be technically employed but on extended leave with little prospect of return.

The performance of privatization buy-outs may be affected by access to finance. State owned enterprises starved of cash for investment may need substantial funds to bring their production facilities to a standard that makes them competitive. Buy-outs in transition economies may face restricted access to investment funds: voucher ("give away") buy-outs typically involve no new funds coming into the enterprise, while purchase buy-outs may be burdened by substantial debt repayment costs, even with loans on favourable terms (which themselves may carry restrictions on restructuring). Enterprises that are privatized through sale to outsiders may be less constrained by a lack of finance for investment.

One of our most important conclusions in developed and transition economies is that the impact of privatization on productivity may depend on the form of institutional context and policy, with employee ownership sometimes being more effective than other forms. Restructuring may be greater where insiders have purchased shares rather than having acquired them for free through voucher programmes. However, the longevity of privatization buy-outs in developed economies appears to be heavily dependent on the dynamics of the industrial sector, rather than the mode of buy-out. In transition economies, employee ownership seems to be generally reducing as managers and/or outsiders purchase employee shares. This

raises policy concerns about share transferability. At one level, there is a need to ensure transparent and fair valuation and transfer of shares so that the process does not favour only managers. At another level there is a need to consider the relative importance of objectives to promote and maintain insider ownership *per se* and to promote efficiency.

For policymakers, it needs to be borne in mind, however, that the effects of MEBOs need to be seen within the context of the objectives of privatization and the institutional context of particular countries. Privatization programmes typically need to reconcile competing economic, political, social and financial objectives (Wright et al., 1994). To the extent that other objectives are more important, the impact of buy-outs on efficiency is reduced. In retrospect, the main positive outcome of privatization buy-outs in transition economies is that they facilitated transition and the disengagement of the State from industry at a crucial time when reforms had to be enacted quickly.

Finally, there would seem to be an urgent need for longitudinal case studies addressing the evolution of individual MEBOs over time, in order to test the generalizability of western studies.

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Table 1: Number of Privatization Buy-outs/Buy-ins By Country: Developed Economies

Country Name	To end 1992	1993	1994	1995	1996	1997	1998	1999	2000
Austria	13	3	6	3	2	0	0	0	0
Denmark	0	0	0	0	0	0	0	0	0
Eire	0	0	2	1	0	0	0	0	0
Finland	4	3	3	2	0	0	3	0	1
France	27	2	2	1	1	3	5	2	0
Germany*	59	43	26	4	0	2	1	0	1
Italy	4	1	2	2	1	2	0	1	1
Netherlands	2	0	2	0	1	0	0	0	0
Norway	1	0	0	0	0	0	0	0	0
Portugal	1	1	0	2	1	0	0	0	0
Spain	1	0	1	0	1	0	0	1	0
Sweden	16	2	1	0	1	1	0	0	1
Switzerland	0	1	1	0	0	0	0	0	0
Total CE	128	56	46	15	8	8	9	4	4
UK	161	13	25	15	33	19	4	1	0
Total	289	69	71	30	41	27	13	5	4

Source: CMBOR/Barclays Private Equity/Deloitte & Touche;
Note: * Includes Treuhand privatizations

Table 2: Methods of Privatization of Larger Enterprises in Transition Economies to 1997

Country	Sale to Outsiders	Voucher – equal access	Voucher – insider concessions	MEBO
Albania	1			
Bulgaria	1	2		
Croatia				1
Czech Republic	2	1		
FYR Macedonia				1
Hungary	1			2[a]
Poland	3	2		1
Romania	2			1
Slovak Republic		2		1
Slovenia	2			1
Estonia[b]	1			2
Latvia[c]	2	1		
Lithuania[d]		1		2
Armenia		1	2	
Georgia			1	2
Kazakhstan	2	1		
Kyrgyzstan		1		
Moldova	2		1	
Russia	2		1	3
Tajikistan				1
Ukraine		2		1
Uzbekistan				1

Source: EBRD Transition Report 1997, p.90 Table 5.7.
Note: 1= primary method; 2= secondary method; 3= tertiary method.
a see Karsai and Wright (1994).
b. OECD estimates to 1995 show among large enterprises 357 trade sales and 120 majority management-employee buy-outs, reflecting the relative importance of privatization methods for the value of enterprises. The relative importance of different methods in terms of the volume of transactions is shown in MEBOs preference for smaller privatizations which lead to 450 employee-owned small enterprises Jan 1991- May 1992. Nov 1992 – Dec 1995 200-300 insider-owned large insider owned enterprises mainly by management. Approximately 36 per cent of privatized enterprises majority owned by insiders, half mainly owned by management and half by a broader group of employees (Mygind, 1997, Table 2.3 and p.57).
c. OECD estimates to 1995 indicate 200 majority management-employee buy-outs, 45 trade sales and 39 minority mass privatizations. Small privatizations in 1992-93 with preferences for employee ownership created 200 MEBOs. 200 insider-owned decentralized privatizations 1992-94. Large privatizations 1994-95 majority outsider with minority stakes through vouchers. (Mygind, 1997).
d. OECD estimates to 1995 show 1,500 minority MEBOs, 2,920 majority mass voucher privatizations and 63 trade sales.

Table 3: Summary of Effects of Buy-outs on Productivity and Performance

Study	Country	Findings
Panel A: Insider Ownership Has Significant Positive Association with Performance		
Mygind (97)	Estonia	Productivity higher in EO, MO and minority IO (no figs)
	Latvia	Productivity higher in IO than SOE (no figs)
	Lithuania	Productivity higher in EO, MO, Minority IO (no figs)
Jones and Mygind (00)	Estonia	EO weak sig positive association with total factor productivity in 1994 only; MO not sig. FO sig. positive association with 1994 & 1995; Domestic individuals (1994) & No Majority (1994/5) also sig. positive
	Latvia	MO weakly sig positive association with total factor productivity in 1994 only, FO not sig., Domestic (individual) ownership and cases of No Majority sig. positive effect
Smith et al. (97)	Slovenia	EO positive almost sig association with total factor productivity; 1% increase in ownership -> in added value of 1.4% in EO, 3.9% in FO
Munteanu (97)	Romania	MEBO weighted average profit rate increases from 6.1% to 6.8% in one year (authors' calculation)
Earle and Telgedy (01)	Romania	Labour productivity growth increases: FO -0.16 to 0.30, MEBO 0.05 to 0.07; Labour productivity: FO 0.27 to 0.42; MEBO 0.11 to 0.16 (depending on specification)
Lajtai (97)	Hungary	Sales/Employee ratios in MEBOs increase 50% and Profit/Employee ratio increases 25% in first year post privatization
Rapacki (95)	Poland	Net margins: MEBO (3.7%), Capital privatizations (2.9%); SOEs (2.5%); Profit/costs: MEBOs (7.4%); Capital privatizations (7.2%); SOE (5.1%)
Vaughan-Whitehead (97)	Ukraine	Sales/Employee ratio: EO 20->23%; SOE 11->13%; Leasehold 21->18%; Other Joint Stock 4%-> 5%(93-94)
Earle and Rosevear (99a, 99b)	Ukraine	MO, WO not significantly related to profitability; sales adjust better in IO
Panel B: Insider Ownership has Indeterminate Association with Performance		
Jones and Mygind (00)	Lithuania	Ownership no significant association with total factor productivity
Jones, Klinedinst and Rock (97)	Bulgaria	Using stochastic production frontiers, private ownership sig. positive association with efficiency, but worker or employee controlled, codetermination, and cooperative ownership not sig.
Anderson et al (00)	Mongolia	IO no significant association with value added/employee, sales/employee
Earle (98)	Russia	After controlling for selection bias in initial OLS regressions, only OO significantly associated with productivity improvements
Djankov (99a)	Georgia, Moldova	MEBOs higher productivity than voucher BOs, which did not restructure more than SOEs
Djankov (99b)	Russia, Ukraine, Georgia, Moldova, Kyrgyz, Kazakh	No sig link between labor productivity growth (sales/employee) ownership type; MO, EO beneficial to increasing labor productivity at low levels of ownership and also high levels for MO; FO always positive association with labor productivity growth at any ownership level.
Panel C: Insider Ownership has Significant Negative Association with Performance		
Rock and Klinedinst (97)	Bulgaria	Labour productivity falls in EO and SOE
Frydman et al (99)	Czech, Hungary, Poland	Labor productivity increases in OO 9%; IO falls 8% (90-94)
Jones (98)	Russia	Firms remaining with EO reduce labor productivity 17%

	compared to SOE; SOE becoming MO reduce labor productivity 73% p.a.; EO becoming MO reduces labor productivity 31%

Note: OO outsider ownership; EO employee ownership; MO manager ownership; MEBO: management employee buy-out ownership; IO insider ownership; FO foreign ownership

Table 4: Employment Changes After Privatization Buy-out in Transition Economies

Study	Country	Sample	Employment Effect
Panel A: Buy-outs Associated with Significant Positive Employment Effect			
Frydman et al. (1999)	Czech Republic, Hungary, Poland	209 privatized and SOEs	IO firms lay off fewer workers than outsider owned firms
Anderson et al. (2000)	Mongolia	211 privatized firms	IO reduced employment by less than OO firms
Mygind (1997)	Lithuania	484 large manufacturing, construction & trade firms	Employment fell less in EO and more in OO
Jones (1998)	Russia	111 privatized and SOE firms	Employment grew faster in majority employee-owned firms; where majority EO remained dominant, employment grew faster than SOE
ILO (1994)*	Ukraine	311 all types of owner-ship	Employment falls in all categories, but EO less than others: EO – 4%, SOE –8%, Leasehold – 11%, Other JSC – 12% (93-94)
Panel B: Buy-outs Associated with Indeterminate or No Employment Effect			
Earle et al (1996)	Russia	439 all types of owner-ship	No effect of EO or MO on change in employment 1992-94.
Filatotchev et al. (1996)	Russia	171privatized firms	After 1 year, 6.5% increased employment, 38% reduced employment by >10%;27% reduced employment by up to 10%
Filatotchev et al. (1999b)	*Russia*	314privatized firms	Change in employment associated with change in sales not form of buy-out (voucher vs MEBO)
Estrin and Rosevear (1999b)	*Ukraine*	150 random sample	Ownership type no effect on employment adjustment after controlling for age of capacity, exporting, energy/cost, barter, employment size
Buck et al. (1999)	*Russia, Ukraine, Belarus*	97 privatized firms	Greater MO significantly reduces employment but not greater EO or OO after controlling for industry decline, country, employment size and sales/employee
Panel C: Buy-outs Associated with Significant Negative Employment Effect			
Mygind (1997)	Latvia	5,585 across all owner-ship forms	Employment fell more in IO firms than in SOEs
Karsai and Wright (1994)	Hungary	17 MEBOs	Declined 10-31% in seven cases; only one case increased employment
Lajtai (1997)	Hungary	6 MEBOs	20% average decline in buy-out year; 5% p.a. decline thereafter
Borbély (1994)	Hungary	1 MEBO	Decline
Jarosz (1994)	Poland	110 lease MEBOs	21% halved employment; 40% reduced employment 31-50%, 9% increased employment
Munteanu (1997)	Romania	447 MEBOs	Total employment of sample fell 9.4% in first year post-privatization
Mygind (1997)	Estonia	666 stratified random sample plus SOEs	MO firms increased employment 9-13%; EO stable; Foreign-owned increased 40%; others declined

		and foreign owned firms	
Vaughan-Whitehead (1997)	Ukraine	541 all types of ownership	Employment falls in all categories, EO greater fall than SOE or Other JSC: EO – 10%, SOE – 9%, Leasehold – 13%, Other JSC –8% (94-95)
Buck et al. (2001)	Ukraine	1,232 all types of ownership	Employment falls in all categories, EO greater fall than SOE or Other JSC: EO – 5%, SOE – 2%, Leasehold – 7%, Other JSC – 4% (99-00)

Note: IO – insider owned; EO – employee owned; MO manager owned; OO outsider owned. * - quoted in Vaughan-Whitehead (1997).

Table 5: UK Buy-out/Buy-in and Exit Status (%) by Vintage Year

This table compares the percentage of public sector privatization buy-outs/buy-ins completed in each year (Deal Year) and the percentage of non-public sector privatization buy-outs/buy-ins completed in each year (Deal Year) that had changed their ownership status through stock market flotation (IPO), sale to a third party (trade sale), secondary management buy-out/buy-in (i.e. non-failure exit of some or all of initial owners and entry of new financial and insider owners while the firm remains an independent entity) or receivership/bankruptcy (ie. failure) up to June 2001.

Deal Year	Non- Privatization Buy-outs			Privatization Buy-outs		
	Deals completed in Year (No.)	Non-Failure Exit (%)	Failures (%)	Deals completed in year (No.)	Non-Failure Exit (%)	Failures (%)
1982	239	36.3	9.2	8	50.0	0.0
1983	242	32.2	9.5	9	66.6	11.1
1984	247	39.7	9.7	4	50.0	0.0
1985	286	33.1	10.5	7	71.5	28.6
1986	353	34.8	10.2	16	75.1	6.3
1987	403	33.2	17.4	33	69.7	9.1
1988	476	59.4	21.8	22	54.5	4.5
1989	512	27.6	20.3	17	45.7	11.8
1990	581	19.9	19.6	23	43.4	8.7
1991	569	43.6	15.6	11	72.7	0.0
1992	584	23.5	8.4	11	81.8	0.0
1993	479	21.1	11.1	13	69.2	0.0
1994	534	23.1	9.9	25	44.0	4.0
1995	583	21.3	11.0	15	33.3	0.0
1996	609	171.	8.0	33	48.5	0.0
1997	681	12.7	8.4	19	31.6	5.3
1998	681	10.1	5.7	4	25.0	0.0
1999	643	4.7	3.0	1	0.0	0.0

Source: CMBOR/Barclays Private Equity/Deloitte & Touche

Table 6: Cumulative Exit Status of U.K. Public Sector and Non-Public Privatization Buy-out/Buy-ins, 1981-1998

This table shows the percentage of public sector and non-public privatization buy-outs/buy-ins that had changed their ownership status (exit) in each year after buy-out/buy-in through non-failure exit [stock market flotation (IPO), sale to a third party (trade sale) or secondary management buy-out/buy-in (i.e. exit of some or all of initial owners and entry of new financial and insider owners while the firm remains an independent entity)] or failure (receivership/bankruptcy) up to June 2001. Percentages are based on the total number of deals for each number of years elapsed since buy-out.

Age of Deal (years)	Non- Privatization Buy-outs			Privatization Buy-outs		
	Total Deals (No.)	Non-Failure Exit (%)	Failures (%)	Total Deals (No.)	Non-Failure Exit (%)	Failures (%)
1	8144	1.5	0.9	273	5.5	0.4
2	8144	4.6	3.4	273	17.5	2.2
3	7977	9.0	5.7	272	29.1	2.2
4	7293	12.6	7.8	268	36.2	2.6
5	6640	16.4	9.1	245	40.0	3.7
6	6003	19.1	10.5	209	47.3	4.8
7	5454	20.7	11.4	195	52.9	6.7
8	4922	22.7	12.2	169	58.2	7.1
9	4445	24.5	13.1	162	58.7	7.4
10	3869	25.8	14.0	150	58.0	8.0

Source: CMBOR/Barclays Private Equity/Deloitte & Touche

Note: a. total number of deals after each elapsed year since buy-out; number declines as progressively fewer companies have been privatized for each length of time up to June 2001 cut-off

Table 7: Gains in U.K. Privatization Buy-outs

This table presents the gains obtained by management and employees on their equity stakes between the time of privatization and when the buy-out exited i.e. when the original ownership form was changed through either sale to a third party or flotation on a stock market (IPO). The first two columns relate to the proportionate change in the value of equity during this period. The third and fourth columns calculate the monthly internal rates of return represented by this change in value.

	Proportionate change in Value of Management and Employee Equity from Buy-out to Exit		Monthly IRR of Change in Value of Management and Employee Equity from Buy-out to Exit (%)	
	Non-IPO Exits	All	Non-IPO Exits	All
Mean	81.5	109.6	20	19
Std. Deviation	87.7	157.3	0.3	0.2
Median	39.1	56.1	14	15
Minimum	1.6	1.6	2	2
Maximum	336.1	812.6	130	130
N	24	31	24	31

Source: CMBOR. Based on 31 enterprises for which value of initial and exiting managerial and employee equity was available for buy-outs completed up to end 1997.

Table 8: Changes in Insider Ownership

Country/Study	Period	Sample	Mean Percentage of Equity Ownership in Sample		
Panel A			**IO**	**MO**	**EO**
Russia					
Buck et al. (96)[1]	Priv-94	139	66.1-> 66.1	19.3->21.7	46.8-> 44.4
Blasi et al. (97)[2]	94-96	142-357	65->55->58	25->16->18	40->39->40
Filatotchev et al. (99a)[3]	94-96	84	64.3-> 61.5	17.6-> 18.8	46.6-> 43.7
Filatotchev et al. (99b)[4]	95-97	91	55.8->54.6	11.1->15.9	44.6->38.7
Aukutsionek et al. (98)[5]	95-97	46	57.2->53	9.3->12.8	47.9->40.2
Dkanjov (99)[6]	95-97	682	51.4->59.6	25.4->36.3	26.0->23.3
Filatotchev et al. (01)[6]	97-99	150	52.1->46.2	15.1->14.7	37.0->31.5
Jones (98)[7]	Priv-96	111	62.2->59.4	7.6->12.9	54.6->46.5
Ukraine					
Djankov (99)[6]	95-97	49	37.8->61.5	14.6->46.2	23.6->15.3
Buck et al. (96)[1]	Priv-95	93	81.0->80.0	14.1->15.0	66.9->65.8
Filatotchev et al. (99b)[4]	95-97	35	75.2->69.9	11.3->12.2	63.9->57.7
Belarus					
Filatotchev et al. (99b)[4]	95-97	39	64.8->68.8	9.9->11.9	54.9->56.9
Georgia					
Djankov (99)[6]	95-97	129	50.9->64.0	41.5->53.6	9.4->10.4
Kazakhstan					
Djankov (99)[6]	95-97	62	33.8->37.6	23.1->29.4	10.7->8.2
Kyrgyz					
Djankov (99)[6]	95-97	79	66.4->70.8	28.1->34.4	38.3->36.4
Moldova					
Djankov (99)[6]	95-97	137	28.8->38.0	7.2->18.3	21.6->19.7
Poland					
Jarosz (94)[8]	91-93	110	85.2->78.9	9.8->12.0	75.4->66.9
Filatotchev et al. (96)					
Panel B			**Percentage of Firms Majority/Dominant Owned by Each group**		
			IO	**MO**	**EO**
Slovenia					
Smith et al. (97)[9]	89-92	22,735	-	-	2.7->10.9
Romania					
Earle and Telgedy (01)[10]	92-98	2,354	-	-	0.2->23.6
Russia					
Aukutsionek et al. (98)[5]	95-97	46	59.1->57.1	8.0->11.2	51.1->45.9
Jones (98)[7]	Priv-96	111	40.5->52.2	0.9->6.3	39.6->45.9
Estonia					
Jones and Mygind (00)[11]	93-96	666	22->22	10->16	12->6
Latvia					
Jones and Mygind (00)[11]	94-95	5,585	11->12	2->7	9->5
Lithuania					
Jones and Mygind (00)[11]	94-95	484	51->48	26->26	25->22

Notes: -> = direction of change from beginning of period to end for each ownership type. 1. One survey, retrospective information. 2. Three surveys, partially overlapping. 3. Resurvey of same sample. 4. Two surveys, retrospective information. 5. Resurvey. 6. One survey, retrospective information. 7. Survey and archival data, retrospective. Jones notes that the position of employees diminished markedly in 13 of the 44 firms where they had been the largest group on privatization. 8. Two surveys. 9. Slovenian population with enterprises with missing data removed. Data relate to cases with 'some employee ownership' (Smith et al., table 1) 10. MEBO participants; Earle and Telgedy note that MEBOs tended to result in overwhelming employee ownership.