

## PECULIARITIES OF PRIVATIZATION AND CORPORATE CONTROL IN LITHUANIA

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### Abstract

The article analyzes how ownership structure influences enterprise activity effectiveness, and topicality. The test results about the change of the structure of the stock capital in Lithuanian joint-stock companies during the period of 1999-2003 as well as the change of the effectiveness/results of the enterprise activity depending on the ownership constellation of the control block of the shares were given. Peculiarities of the cooperative management were analyzed.

**Keywords:** privatization, corporate control, Lithuania

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### Introduction

The problem of ownership and its effectiveness has become an object of scientific and practical argumentation much earlier than economics theory has arisen as a separate field of science. Ownership was and is the object of research in law, philosophy, economics, and institutional economics. Economic content of this category has been constantly supplemented. Ownership defined not only object dependence on a certain subject, but the whole spectrum of ownership and traditional relationships among people, groups and communities with respect to any object of the material world. The problem of ownership management effectiveness is an exceptional one.

Lithuanian researchers and foreign scientists have investigated the problem of ownership management, control effectiveness and corporate management. They have produced a number of arguments and maintained that ownership structure influences the indicators of enterprise effectiveness (Starkus, 2001; Gronskas, 1995; Balcerowicz, 1998; Berley & Means, 1932; Earle, 1998; Hansmann, 1996; Ross, 1973; Hill & Jones, 1992)

Privatization has preconditioned the primary property structure and the distinctions of corporate management system in Eastern and Central Europe countries (ECE).

Transformation processes in Eastern and Central Europe have become a specific object of scientific cognition and research. However, economics research renders different view to the relationship between

ownership structure and enterprise effectiveness, and not enough attention has been allotted to the uniqueness of conditions under which the changes in ownership structure have been and still are taking place. The number of works in this field manifests the fact that these problems are not widely dealt with.

Changes in Eastern and Central Europe countries have become an object of wider research. However, these investigations are based on different view towards ownership structure and enterprise effectiveness. One might notice that too little attention is paid to the analysis of circumstances which have made influence on ownership structure and different processes related to it.

The issue dealt with in the article could be phrased in precise terms: there existing no exhaustible research of how ownership factors influence enterprise activity effectiveness in Lithuania, it is expedient to present theoretical and practical considerations about the relationship between enterprise effectiveness and property structure emphasizing the factors and the consequences of institutional change - privatization.

**Research object:** ownership structure, activity effectiveness and corporate management system in Lithuania.

**Research aims:** to highlight the influence of ownership structure on effectiveness indices in Lithuanian companies; to generalize corporate management practice.

**Research methods:** the methods of monograph, comparative analysis, logics analysis and synthesis, graphical presentation, empirical research.

## Property structure, the behavior of economy subjects and enterprise activity effectiveness

Both traditional and ownership relationships between subjects in micro-level are closely connected with the development of the system of political economics. Eastern and Central Europe countries have faced the phenomenon of political economics and its transformation. Although the phenomenon of post-communist transformation has not been fully investigated, it is obvious that the laws and regulations functioning in a mature market have no effect or act only partially while economic theories and doctrines are not able to explain transformation phenomena. The ownership structure and the transformation of the ownership rights in these countries became the specific object of the scientific knowledge and investigation.

Scientific discussions on effectiveness often keep to the approach that socialism is economically ineffective and the prevalence of state ownership in economy means "more socialism", vicious property structure, closed business regime and the mechanism of ineffective economy coordination (Balcerowicz, 1998, p. 27-99). It is maintained that the activity of state enterprises is bureaucratic economy subjects are not initiative (Mises, 1992), there are no risk-stimuli, their activity is not directed towards the introduction of cost reducing technologies (Hayek, 1935; Balcerowicz, 1998; Boycko, Shleifer and Vishny, 1994) and the leaders of socialist enterprises are not financially responsible for the consequences of ineffective management (Mises, 1935, p. 116-118; Kornai, 1990). Thus these countries have undergone the vast privatization of the state enterprises.

The state enterprise privatization has been the main chain in institutional reforms in ECE countries. Research works point out that the governments of ECE countries had to change the system, structure and regime of market economy as well as to consolidate property and property rights structure characteristic to economic countries (Andic, 1992; Balcerowicz, 1993; Boycko, Shleifer and Vishny, 1994; Šimėnas, 1996; Bornstein, 1994).

Taking a wider look at transformation phenomena, it is possible to maintain that the specificity of post-communist transformation conditions the fact that privatization in the countries of new democracy solved issues which had not arisen, to such an extent, to the countries of the market economy:

- property, income, influence and power distribution problems. Scientific literature presents a narrow aspect of this problem and deals only with the redistribution of property rights;

- the problems of the market institutions structure, consolidation of a social mechanism as well as the systematic and structural adaptation of economy to the changing environment.

Aspirations to limit the role of the state in ECE countries, has conditioned the way of privatization: it has remained massive from its very beginning. In 1991-2003 privatization principles and priorities essentially differed. They had crucial influence on property structural changes. This problem is emphasized in this article.

The issue of the relationship between ownership and enterprise effectiveness could be considered in several aspects:

- 1) the change of the structure of the ownership law;
- 2) ownership concentration level;
- 3) the constellation of dominating owners or real ownership control.

One more widely discussed problem in scientific literature is the type of organizations to be created, their ownership forms and influence on economic growth.

The specialists of the ownership law relate the effectiveness of contemporary enterprises with owners' behavior, different motives of their behavior and the opportunities of real ownership control.

The distribution right is mostly conditioned by an organizational form of economic activity: a personal enterprise, economic community, joint-stock company, company of limited-liability. Different ways of organizing economic activity determines the type of an owner constellation which can differ in its behavior, motives, stimuli, distribution.

Share ownership management is characterized by a number of distinctions.

First, shareholders possibility to directly manage ownership is limited because property interests are shared among many stockholders.

Berley & Means noticed that property and management / control functions in corporations are separated, however smaller shareholders cannot effectively control hired professionals' (managers') activity. On the contrary, the ownership is concentrated in the hands of one or a few shareholders, and they are empowered to control managers' activity, the latter sometimes being rather contradictory (Berley & Means, 1932).

Second, according to Hansmann, enterprise effectiveness depends on the owners' constellation controlling block of shares and the fact who is the owner of the control block of stocks. Agent theory views activity motives of share constellations and the control costs of hired managers at different aspects even in that case when they own equal share blocks (Hansmann, 1996).

Empirical research manifests differences that exist among enterprises based on dispersed or concentrated ownership structure: the higher share concentration, the more effective is the enterprise activity. Shareholders are given wider activity and control possibilities (Earle, 1998; Boycko, Shleifer and Vishny, 1994; Mygind, 2001).

Third, corporate management system registers and recognizes ineffective management cases at the

very beginning of their occurrence and reject ineffective enterprises (Aoki & Kim, 1995).

The following features characterize the scale of changes and the maturing of corporate management system:

- the proportion of physical and institutional owners in corporations;
- the market share of ownership service;
- the structure of different owners' constellations belonging to the same ownership category;
- the part of corporations managed by professional managers owing only a small part of property.

Scientific works dealing with ownership structure and enterprise effectiveness conclude that different types of owners influence corporate activity. Mygind writes that outsiders are better than corporate people, and managers are better than workers as well as foreigners are better than the country's investors.

This is because of different motivation, activity freedom, and financial possibilities in restructuring and modernizing enterprises, to say nothing of corporate management ability, experience, and other (Mygind, 2001, p. 479-480).

**Table 1.** Theoretical forecasts for different groups of owners. The main forecast: higher effectiveness

State	Employee	Manager	Foreigners
- information and incentive problems	- specific goals - lack of skills - capital shortage	- concentration risks - capital shortage	+ maximum profit increase + capital + management abilities + networks
+ soft incentives + benchmarking	+ motivation +profit equalizing + management control	+ strong managers' motivation	- culture - local networks
	- Specific obstacles in the country's market - Lack of an effective finance market		+ availability to well-functioning international markets

Note: + means 'plus'; - means 'minus'

Reference: Mygind (2001) Privatization, governance and enterprise restructuring in the Baltic rim – Paris; OECD.

### Corporate management system

Corporate management system could be characterized as the entirety of institutional mechanisms that do not allow the occurrence of economy agents' behavior deviations reducing the firm's value in the market.

The transformation of institutional system in Eastern and Central Europe countries are still going on and there occur the interrelationship forms of institutional factors which are not characteristic to the developed market economy. As corporate management mechanisms are still in embryo stage or they do not work at all, capital concentration is one of the most effective and simplest ways for shareholders, striving to effectively control the enterprise activity. It is difficult and hardly possible to directly and

precisely measure the level of enterprise activity and property control. Factual level of property control could be evaluated by some indirect indications:

1) in accordance with the degree of property concentration;

2) in accordance with the structure of the constellations.

Striving to evaluate the influence of property concentration factor on property management effectiveness, it is possible to group enterprises according to the block of stocks managed by the biggest stockholders. Let's indicate the amount of stocks in the hands of the biggest stockholders with the letter A. It is possible to construct the following enterprise typology (Table 2):

**Table 2.** The influence of property concentration on the level of property control

	Concentration level					
	Very low	Low	Medium	High	Very high	Hyper high
The amount of the block of stocks	A<5	5<A>10	10<A>30	30<A>50	50<A>90	90<A>100
Control level	Very low	Low	Medium	High	Very high	Hyper high

Analyzing the changes of the law of share corporations it is possible to notice that the shareholders' rights are closely connected with the number of shares possessed because shareholders

have influence on the enterprise management by voting at the general meeting of shareholders: one share gives one vote. Important decisions are taken by the absolute majority of votes: a hold of votes plus

one vote. The main issue is the majority of qualified votes, i.e., 2/3 or 4/5 of vote majority plus one vote. Foreign investors usually strive to hold the control share block because the bigger amount of shares ensures more rights. For example, if the number of managed shares comprises 1/2 of votes plus one vote (majority), a shareholder has the right to solve most questions unilaterally without taking into account the quorum of the general shareholders' meeting. Having

got the qualified majority of votes, he/she can make the decision to reorganize the corporation, to increase authorized capital stock, etc (www.lrs.lt).

Enterprises could be classified as follows:

- in terms of dominating proprietors' groups;
- according to the groups of the biggest stockholders.

The classification criteria of proprietors' groups may be different (See Table 3):

**Table 3.** The classification of proprietors' groups

1: Proprietors of the national origin		Proprietors of foreign origin		State	
2: Insiders:		Outsiders:		State	Others
<i>Managers</i>	<i>Employees</i>	<i>Non-financial outsiders:</i>	<i>Financial outsiders:</i>		
		- <i>Physical persons</i>	- <i>Banks</i>		
		- <i>Other means</i>	- <i>Investment funds</i>		
			- <i>Other companies</i>		
			- <i>Foreign investors</i>		
3: Physical persons		Juristic persons		State	

Not a single typology mentioned can precisely evaluate the influence of a concentration factor on the effectiveness of property control. This is the merely subject of the researchers' interpretations, based on the subjective experience, and attitudes.

### Primary property structure of Lithuanian enterprises after privatization

The primary (cheque) privatization period could be considered as the beginning of the creation of property structure and corporate management system. The primary property structure has been mostly preconditioned by the three main factors:

- 1) the advantage of one privatization subjects against other ones in obtaining profit;
- 2) qualitative and quantitative characteristics of the profit privatized at different periods;
- 3) the development of legislative, institutional, investment, political, social-economic, micro-, macro-, mezzo- environment.

The development of enterprise effectiveness has not been the privatization priority. Privatization in 1991 – 1993/1995 was directed to the creation of a private sector, the consolidation of property institute and property rights. This period coincided with the statehood restoration and its strengthening. Surrounded by the euphoria of a "singing revolution", Lithuania, similarly as Estonia, Latvia, Russia, Hungary, Romania, has given priority to its own people: local investors, the employees of the privatized enterprises as well as enterprise managers had preference against foreigners.

*Different interests of privatization groups have preconditioned the primary structure of privatized ownership in Lithuania:*

- 52% of capital belonged to private, physical and juristic persons in the privatized economy sector (70.9% of economy objects) according to the ownership law (Šimėnas, 1996).

- the state owned 48% of capital in the privatized sector.

- the employees of privatized enterprises acquired 7.4% of the whole privatized property on favorable terms. 2/3 of this percentage was transferred to enterprise managers.

- joint-stock companies played a very important role. At the beginning of 1994 there were 379 of them and they owned 39% of the privatized property. 133 joint-stock companies possessing liquid ownership were registered.

- 0.0002% of ownership belonged to foreigners.

In Lithuania as compared to other Baltic states employees have been given fewer privileges in small than in large enterprise privatization.

Thus enterprise employees have acquired (usually under privileged conditions) the stocks of medium and large enterprises while the property of small enterprises has been supported by their leaders from the very beginning.

Shareholders were different in most Lithuanian companies until mid-1997 as compared to those of market-economy countries and most Eastern and Mid-European countries because a rather small fraction of share capital belonged to foreigners, the biggest part to the leaders of the highest level rather big part of the

state and a small one to the institutional investors (banks, investment funds, and others).

The research carried out by the Department of Lithuanian Statistics in 1996 shows that about 5% of companies are the owners of the capital of other countries (30%). Various enterprises have merged their capital with the capital of other enterprises in rather different ways. For example, retail enterprises work only on their own capital. Joint-stock enterprises face much more difficulties in selling out their production or rendering services as compared with other enterprises. The enterprises which engage about 30% of capital from other enterprises are not so successful in attracting foreign capital (Lietuvos įmonės...1996, p.56).

Having transformed state enterprises into share companies, there appeared groups with different interests: the state as a shareholder, enterprise leaders as shareholders, big and small shareholders, local and foreign investors, etc.

According to Agent theory, various groups of shareholders represent different interests: common shareholders expect dividends and the increasing share value in the market; the state strives to preserve its influence on consolidation of working places and (hopes to cooperate with governmental institutions; creditors, banks and others) except ownership liquidity and risk reduction, foreign investors look for new markets and "cream skimming", etc (Ross, 1973; Hill & Jones, 1992). In 1990 – 1996 there was no *corporate management experience* and the *legislative practice* of such management was not yet regulated, therefore company managers represented their own but not shareholders, interests.

The period of 1990 – 1996/1998 could be considered as the time of total ineffectiveness in all Eastern and Central European countries. The differences in the effectiveness of already privatized enterprises and those awaiting for privatization or not yet privatized might be maintained as merely random occurrences which do not express the essence of the whole process. At the time of capital and influence redistribution enterprise effectiveness was not a priority neither for the enterprise managers nor privatization agencies. The solution of financial problems of new democracy countries called for funds, therefore, privatization agencies were interested only in privatization scale and enterprise managers were waiting for the opportunity to take over the enterprise property and its management. There was no finance for production development (Lietuvos įmonės ...,1996, p.71); new managers had insufficient competence and experience.

### **Secondary ownership structure in Lithuanian enterprises**

Having in mind the fact that the ownership structure of primary privatization could hardly conform to the long-term expectations of different owners constellations and become the most effective

ownership distribution form, as it has been proved by the world experience, secondary privatization, trade in shares and property could be considered very important because most of new owners are not satisfied with the amount of a share block or investment portfolio.

Trading in the shares of privatized enterprises is rather slack because of the underdeveloped market of securities / capital, financial-credit system, slow bankruptcy and ownership legislation procedures, bureaucracy, nepotism, corruption and other factors in the countries of transitional economy (Vilniaus bankas, 2004).

In all East and Central Europe countries, especially in Lithuania, Poland, Russia, Romania, Bulgaria the ownership structure changes in the private sector are not significant from the point of view of different owners' constellations. Scientific works dealing with ownership structure changes emphasize the tendency of transferring a considerable part of property to the managers. This trend to reuse employees' ownership is also noticed in a "personal level in enterprises".

Long-lasting privatization (primary and secondary) should be linked with constant and considerable changes in the structure of share ownership in Eastern and Central European countries.

The research of ownership structure in Lithuanian enterprises. Basing on the data of the state ownership fund privatized and being privatized enterprises, the analysis of the structure of Lithuanian ownership has been carried out. There have been investigated 1100 enterprises / share corporations, close corporations, state companies). According to the requirements of research validity, the research is representative and can reflect general transformation tendencies in ownership structure when the possible error of calculation is 5%. In social sciences a standard error is 5% obtained with 0.95 probability (Paniott, 1986).

The research has revealed that in already privatized and being privatized enterprises stock capital has been accumulated in the hands of the state – 10.37%, physical persons – 50.11%, juristic persons – 39.52%.

Figure 1 presents the research results of about dominating owners and ownership concentration level.

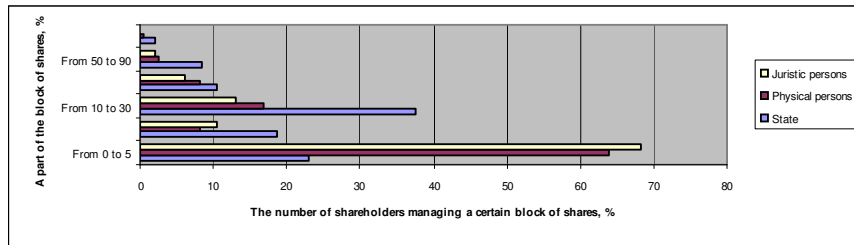
The research has shown that the share block of most Lithuanian enterprises is distributed among a number of owner constellations. The parts of the share block managed by physical, juristic persons and the state are rather small, most shareholders possessing not more than 30% of the block. Even 63.79% of physical persons manage 1-5% of the share block. 68.3% of juristic persons hold such part of the block of shares.

The state is the leader among big shareholders managing 90-100% parts of the block (2.09%). Now the state manages either the share blocks of big enterprises of the "remainder" of the shares in already privatized corporations. In most cases (79.16%) share

blocks amount to not more than 30%. It should be mentioned that in almost 37.5% of cases the state holds stock blocks which amount to 10-30%.

In order to find out how effectively shareholders can participate in corporate management and how

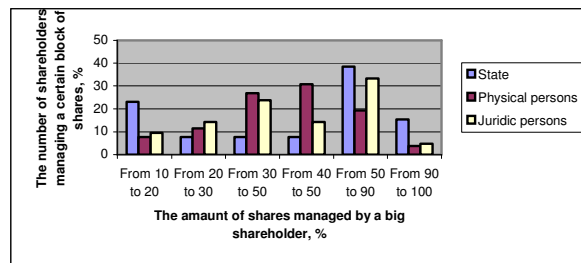
they can influence corporate activity, the amount of share block of a big shareholder has been investigated.



**Figure 1.** Factual ownership concentration in privatized enterprises in 2002

It has been proved that the biggest share blocks are managed by the state and institutional investors, respectively, 38.46% and 33.33% of the biggest

enterprise shareholders held 50-90% of share blocks. Even 30.77% of juristic persons were the biggest investors managing 40-50% of share blocks.



**Figure 2.** Distribution of share ownership in privatized enterprises managed by a big shareholders and differed in the amount of block of shares (2002)

As share blocks are distributed, the biggest shareholders usually have no control block. This makes ownership management rather difficult. Furthermore, shareholders find it rather complicated to control their ownership and managers' activity.

It has been found out that much profit is concentrated in the hands of enterprise managers. This witnesses the fact that ownership is not separated from management. An assumption could be made that leaders represent their own interests but not shareholders', especially the small ones. There is much less privatized property concentrated in the hands of leaders and other employees than, for example, in Russia where according to some sources in 1998 almost 16-22% of shares belonged to the highest level managers and 35-44% of shares to employees (Radigin, 1998; Kapeliušnikov, 2001).

In 1998-2003 there became evident one more tendency which influenced profit structural changes. Lithuanian economy subjects concentrate capital and increase the amount of managed stocks by means of the second privatization methods merging through horizontal and vertical combinations as well as applying activity diversification principles.

Demsetz (1997) distinguishes three competition types: competition by price, competition by higher quality and competition by quantity. Only big enterprises can compete by quantity. Both local and foreign investors increase effectiveness indicators of enterprise activity by concentrating capital and using scale economy effect for the increase of economic power.

Having analyzed the indices of the enterprises of different scales and activities, it has been found that:

1. The largest range of sales and efficiency level is achieved by the biggest stock and close stock companies after uniting into groups.
2. Enterprises-monopolies dominate among the most profitable and efficient companies.

The following companies prevail according to their sales and services: close stock companies – 65.35%, stock companies – 24.59%, personal companies – 2.33%. This phenomenon could be explained as follows according to the law of stock company modification (2003 12 11, No IX-1889) the number of stockholders in close stock company should not exceed 250. The stockholders can be both physical and juristic persons. This allows to accumulate property in the hands of fewer

stockholders and to avoid the limitations of capital concentration according to the competition law. However, due to the very complicated practice of close stock company investments to the other close stock company, stockholders lose the real possibility to control enterprise management activity and property.

Figure 3 represents the data of the work efficiency of the largest groups of Lithuanian companies. These results are almost the same as those of the biggest stock companies (Figure 4), e.g. the

work efficiency of Hanner group corporation is 1493.71 thousand Litass, joint-stock company “Mažeikiai Oil” - 1345 thousand Litass, Silberaut group - 874.07 thousand Litass, and Delta group - 807.89 thousand Litass, and joint-stock company “Lithuanian Energy” - 929.41 thousand Litass, the joint-stock corporation “Achema” - 426.64 thousand Litass, etc. per worker. In most of other enterprises work efficiency is less and equals to about 100-300 Litass per worker.

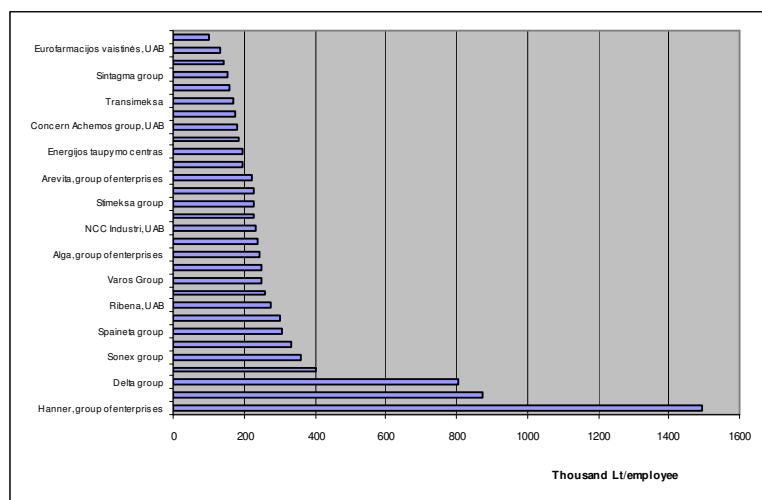


Figure 3. The work efficiency of enterprise groups

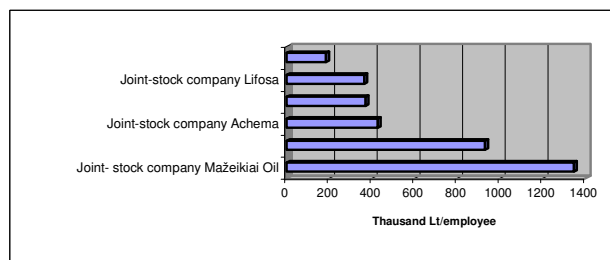


Figure 4. The work efficiency of the biggest Lithuanian joint-stock companies

Lithuania is different from other Baltic States in the formation of big national corporations or groups of enterprises: “VP Market”, “Achema group”, “Western Distributing Networks”, “Alita”, etc.

Lithuanian investors have acquired a number of share blocks in various corporations: “Orthopedic Technique”, “Panevėžys Aviation”, “Šilunga”, “Ventus Oil”, “Klaidėpa Smeltė”, “Vilnius Milk”, “Danga” and others.

### The role of foreign investors in the process of property structure change

Privatization is a very important means of attracting foreign investments. During privatization foreigners become the owners of the state capital.

Scientific works analyzing the influence of property structure on enterprise activity effectiveness draw a general conclusion that various proprietors produce different influence on the enterprise effectiveness; foreigners are better investors than the local ones. It is maintained that local investors (the state enterprise managers, employees, physical and juristic persons) can have aims which are not related to the aspirations of maximum profit, e.g. higher wages, dividends, etc.

On the contrary the foreign investors strive to restructure and modernize privatized enterprises; they possess better financial opportunities, management skills including corporate management and the access to international business networks and markets.

In different ECE countries foreigners have had lesser or greater influence on property structure changes in stock companies. The amount of capital acquired by foreigners during privatization has been preconditioned by some causes:

- scale difference and quality characteristics of privatized property;
- attitudes to foreigners participation in privatization;
- the stage of transformation processes development influencing privatization.

Foreign investors have been and still are interested in big, more often infrastructural objects. The biggest infrastructural and energy enterprises have fallen into the hands of foreign investors in Estonia, Latvia, Czech, Hungary and other ECE countries. Since the very beginning of privatization in 1994 in Estonia, Latvia the amount of the foreign capital was constantly increasing and in 1998 in both countries it comprised approximately one third of the whole privatization turnover (Mygind, 1999). *The foreign investors overtake the biggest and the most profitable Eastern and Mid-European markets practically without any limitations.*

The scale difference of the direct foreign investments can be also related with the various investment surroundings in the country, i.e. the restrictions from the point of view of export of property, capital and profit, let alone tax privileges, etc. Foreign investors were apt to amply invest in Hungary, Czech republic, Poland and less in Romania. Other East European countries including Albania, Estonia, Latvia and Lithuania have been chosen less often. It can be considered that in Lithuania the investment possibilities were less favorable until the middle of 1997 than in neighboring countries Estonia and Latvia, and still far less favorable than in, for example, Hungary and Czech republic. Why?

In spite of the fact that Lithuania used the greatest tax privileges, the investment restrictions were also used. The most important are as follows:

- 1) the list of non-privatized objects has been made;
- 2) about 10-20% of the state capital has been allowed to privatize in the strategic state objects, and in the privatized big infrastructural and production enterprises the share in the authorized capital has exceeded the amount of 50%.

3) Foreigners were not allowed to buy the land.

Besides in 1991-1995/1996 foreign investors were not interested in Lithuanian enterprises that were on the privatization lists. Only four enterprises have been privatized by the foreigners until the end of 1995.

The privatization rules and priorities have changed with the end of privatization. In 1996 – 2003 privatization transactions have been signed under the principle of the “highest price”, provided that the foreign strategic investor will use the remaining aspects of the advantages.

*Foreign investors are interested in bigger and monopolistic corporations.*

The foreign investors have acquired the control block of stocks in the following joint-stock companies “Lithuanian Telecom”, “Klaipėda Ship Maintenance Dock”, “Lithuanian Insurance”, “Šilutės Peat”, “Geonafta”, etc. For example, most foreign investments have been attracted by the biggest enterprises in 2001-2003: “Lithuanian Telecom”, “Danisco Sugar”, “Klaipėda Oil”, “Lithuanian Gas”.

The investment practice of foreign investors could not be estimated unambiguously.

As the result of the privileges given to foreigners the biggest enterprises and their markets have been lost and the private foreign investors have been supported by the state means. For example, joint-stock company “Mažeikiai Oil”, “Lithuanian Energy” - the energetic enterprises directly supported by the state independent on the structure of the stock capital.

In the state investment plan of 1999 the share belonging to “Mažeikiai Oil” approximated to 45%, in 2000 – 79%. Up to 29% in 1999 and 4% in 2000 of all the loans acquired on behalf of the state (that had to be returned by the economic subjects), and 27% in 1999 and 17% in 2000 of all the credits taken with the state guarantee, comprised the loans to joint-stock company “Mažeikiai Oil”. On 29<sup>th</sup> of October, 1999 “Mažeikiai Oil” shares (33%) have been acquired by the USA company “Williams International”. This company also took the control of the company management.

The means of the privatization fund allotted to the state investments comprised only 9% in 1999-2000, and 16% of all the means in 2000.

The ratio of the privatized capital investments into the privatized objects during the period of 1996-2000 have been 0.24 million Litas after the privatization, or the average investment into the privatized enterprises approximated to 50 million Litas.

During this period 29000 work places were retained or newly issued, i.e. in 2000 the number of redundant employees was respectively by 1.03 times greater and in 2001 the number of redundant employees was already 1.28 times greater in the bankrupt enterprises, if compared with period of 1996-2000.

## Conclusions

1. As the share blocks have been dispersed the biggest shareholders most often have no control block of the stocks. This brings difficulties into the management of enterprise property and makes the control of the enterprise managers complicated for other shareholders.
2. The distinctions of the corporative management have also been highlighted. The corporate management system in the countries of transient economics is either immature or does not exist at all. The only possibility for the stockholders to



effectively control the property is the concentration of the stock capital. The period of 1998-2003 is characteristic of two tendencies which influence the changes in the ownership structure:

- Lithuanian economy subjects concentrate capital by increasing share amounts and applying secondary privatization methods as well as combining both horizontal and vertical diversification principles;
  - Foreign investors take over the biggest and most profitable Eastern and Central European markets practically without any restrictions.
  - Concentrating the capital and applying scale economy effect, both local and foreign investors increase their economic power and the effectiveness indicators of enterprise activities.
3. A very high concentration of foreign capital in the biggest Lithuanian corporations-monopolies makes it difficult to solve international problems. It reduces economic security and slackens the competitive positions of national economic subjects. All these factors will have much influence in competing for European markets. It is necessary and expedient to regulate the economic activities of some enterprises – monopolies, i.e. pricing, requirements for production and services, etc.
  4. Theoretical assumptions on the influence of ownership structure on enterprise effectiveness present the possibility to maintain that the tendencies of the ownership structure distribution in 1998-2003 are positive and ensure effectiveness growth in Lithuanian enterprises in the future.

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