The Effects of a Monopolistic Market Structure on the Assessment of Privatized Companies: The Colombia Case

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The purpose of this study is to determine whether companies privatized in Colombia during the 1990s had a substantial increase in productivity and profitability as a result of management changes that must have occurred or, on the contrary, these companies continued to have similar performance levels. The latter contradicts the assumption that new owners would implement substantial strategic changes - as international experience shows. If this is the case, then it would be fit to raise the following question: "What circumstances may have encouraged new owners not to make any substantial changes to the business strategies for their recently acquired companies?" A possible answer to this question is that, on the one hand, the approaches of the government to the privatization process, particularly with regard to the screening of purchasers, and on the other hand, the level of concentration of the resulting market structure after privatization could account for the difference in the behavior of new entrepreneurs vs. international practice. If the negotiating process of these companies was not transparent enough or the resulting market structure was not competitive enough,

then there might not be insufficient incentives for new owners to behave more efficiently.