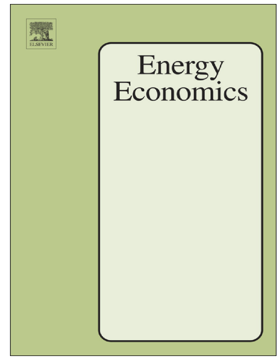

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Kwaku Ohene-Asare, Charles Turkson, Anthony Afful-Dadzie

PII: S0140-9883(17)30344-4
DOI: doi:10.1016/j.eneco.2017.10.006
Reference: ENEECO 3779

To appear in:

Received date: 10 December 2016
Revised date: 8 July 2017
Accepted date: 11 October 2017

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Kwaku Ohene-Asare, Ph.D*
Department of Operations and Management Information Studies
University of Ghana Business School, Ghana
kohene-asare@ug.edu.gh

Charles Turkson
Department of Operations and Management Information Studies
University of Ghana Business School, Ghana
cturkson@st.ug.edu.gh

Anthony Afful-Dadzie, Ph.D
Department of Operations and Management Information Studies
University of Ghana Business School, Ghana
aafful-dadzie@ug.edu.gh

Abstract

Although state involvement in market systems often leads to inefficiency, this influence in the oil industry is not dwindling due to strong growth of some state oil companies. Based on this background, there are concerns about how state firms can continue to stay relevant in the international oil industry by offsetting inefficiencies due to state control. This study assesses the effects of multinational operations on the performance of oil firms. This is achieved by comparing productive and scale efficiencies of state and private oil companies as well as state multinationals and private multinationals. A dataset of 50 firms each year from 2001 to 2010 reveals that although multinational operation is important in reducing productive inefficiencies of state firms, it does not mitigate scale inefficiencies of state-owned firms. State firms should therefore make multinational operations a key policy direction since this will provide a transformative agenda towards equally competing with their private counterparts. However, better efforts need to be paid in reducing scale inefficiencies that are pervasive among state-owned oil firms. Providing better controls on firm size will provide better drive towards future efficient production levels.

Keywords
Ownership, Oil and Gas, Efficiency, Multinational Operation, Data Envelopment Analysis
JEL: C14 D24 F23 L33 Q48