

Privatising National Oil Companies - Assessing the Impact on Firm Performance

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We investigate the impact of privatisation on firm performance in the global oil and gas industry, where questions of resource control have regained widespread attention.

Based on a dataset of 60 public share offerings by 28 National Oil Companies we analyse the impact of privatisation on seven different aspects of firm performance, namely profitability, efficiency, investment, output, employment, capital structure and dividend payout. We find that:

1. Privatisation can be linked to comprehensive and sustained improvements in performance and efficiency.
2. Many performance improvements are already realised in the run-up to privatisation, i.e. the anticipation effect is important.
3. Even partial privatisations lead to significant improvements in performance.
4. The size and timing of follow-on offerings is of secondary importance, as long as a credible commitment to the privatisation process is given.

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