AN EXAMINATION OF THE SYNERGISTIC ATTRIBUTES
OF CANADIAN/U.S. SELL-OFF RESTRUCTURING

I. INTRODUCTION

During the past decade, numerous studies have examined the motives underlying corporate restructuring and its consequences. This literature reflects the increasing use of restructuring strategies internationally and a desire by both researchers and practitioners to better understand the causes and implications of this activity.

We extend earlier research into the motivations for, and consequences of, various restructuring strategies and the involvement of firms in sell-offs. While sell-offs are conceptually the simplest form of restructuring, existing research has not yet provided a complete analysis of this activity in the international and cross-border arena. The purpose of this study is to examine the valuation consequences for U.S. and Canadian firms of engaging in cross-border divestitures, and to consider policy and strategic issues associated with these transactions.

These two neighboring economies are clearly prominent in matters associated with international economics and finance. There is a greater volume of international trade between the U.S. and Canada than between any two other countries. Along with this flow of commerce comes a high level of Foreign Direct Investment (FDI). Corporate acquisitions (including the purchase of units divested by foreign firms) comprise one of the major channels for FDI. Given the extent of both Canadian/U.S. commerce in general and FDI in particular, it is not surprising that sell-offs frequently involve one firm in