

Plant Versus Firm-Level Analysis

There has been some debate about the appropriate unit of analysis in M&A studies. This report uses a plant-level analysis because, as pointed out by McGuckin and Nguyen (1995), firm-level data confound the analysis in two ways. First, an acquiring firm can be both a buyer and a seller because it can buy an entire firm, all plants of a firm in one industry, some plants a firm owns in one or more industries, or a single plant, while at the same time, sell some of its plants. Second, firm performance is average plant performance across all plants. Yet, a firm could have one plant that performs superbly and others that fare poorly. A plant-level analysis avoids both of these problems because it can accommodate plants owned by firms that sell only one plant or all of their plants or are both buyers and sellers. Additionally, plants stand alone, so the performance of one does not affect the performance of others.