Alternative Investing

Merger Arbitrage

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Chapter in Takeovers, Restructuring, and Corporate Governance (Pearson, 2004)

For companies, the economic role of mergers and acquisitions (M&A) is to help them achieve or maintain a competitive advantage by anticipating and adjusting to change. For economies, M&A helps move resources from lower-value uses to higher-value uses. Yet a high number of M&A investments fail to earn their cost of capital. The materials in this book seek to improve the success rate of M&A activities, which for our purposes includes divestitures, alliances, joint ventures, restructuring, and other activities.

Powerful, long-term change forces have driven M&A activity in recent decades. Foremost is technological change, affecting every industry. Transportation and communications changes facilitated globalization, which led to deregulation in airlines, financial services, telecommunications and even electrical and other public utilities industries. But the massive change forces also have affected the pharmaceutical, chemical, auto, tire, and petroleum industries.

Ways of doing business will continue to change. The forms of competition will continue to multiply, and the intensity of competition will continue to increase. Relations with suppliers, workers, consumers, and other stakeholders will continue to evolve. These forces are not likely to diminish in the years ahead. This book brings together conceptual and empirical material in a systematic way. It provides readers with a basis for understanding mergers and acquisitions and corporate restructuring that are introduced into every session of Congress.

The volume provides a complete review of takeovers and mergers in practice, M&A in theory and practice, the strategic perspective of valuation, restructuring, M&A strategies and strategies for creating value.

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