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## Takeovers: Folklore and Science

*Harvard Business Review, November-December, 1984*

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### Abstract

Shareholders, who are the most important constituency of the modern corporation because they bear its residual risk, benefit most directly from acquisitions because of the increase in the value of target company shares. Many current criticisms directed at takeover activity are wrong or based on faulty logic. Takeovers protect shareholders from mismanagement of a corporation as they allow alternative management teams to compete for the right to manage the corporation's assets. The takeover market provides a unique, powerful, and impersonal mechanism to accomplish the major restructuring and redeployment of assets continually required by changes in technology and consumer preferences.

**Keywords:** corporate takeovers-criticism, raiders, effect of takeovers on shareholders, golden parachutes, residual risk, manager-shareholder conflicts, mergers, importance of shareholders

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