

## Topic Page: [merger](#)

Definition: **Merger** from *The AMA Dictionary of Business and Management*

Combination of two or more businesses with equal standing, resulting in the creation of a new company. Unlike in an Acquisition, no one party acquires the other, and the management of the new company has representatives from both entities. Only equity shares are exchanged, rather than a sale. True mergers are rare where the resulting union is not lopsided, however.

Summary Article: **merger**

From *The Columbia Encyclopedia*

in corporate business, fusion of two or more corporations by the transfer of all property to a single corporation. The remaining corporation continues in existence, having absorbed the other(s). Mergers may be of various types: A *vertical merger* integrates different types of businesses that may share a supplier-customer relationship; a *horizontal merger* brings together related businesses; an *extensional merger* joins two similar businesses to enter a new market; and a *hostile takeover* occurs when a stronger business absorbs another against its will. The methods of effecting mergers vary. Often the corporation that continues to function makes an outright purchase of the property and stock of the others; exchange of bonds, options, and other agreements are also employed by the corporations involved.

Mergers may be effected to increase profits and reduce losses through the reduction of competition, to diversify production, to protect against the liabilities of concentration in a single area, or to revive or rejuvenate failing businesses by the infusion of new management and personnel. Mergers for monopolistic purposes were among the unfair practices that the Sherman Antitrust Act (1890) and, more especially, the Clayton Antitrust Act (1914) attempted to correct. The international nature of many modern corporations now also subjects mergers to antitrust scrutiny overseas, particularly in the European Union.

The end of the 20th cent. witnessed a great increase in mergers; in the United States alone, 60,375 mergers involving a total of over \$4.5 trillion occurred between 1980 and 1996. Among the largest recent U.S. mergers are those between America Online and Time Warner (2000; \$165 billion, but worth significantly less after the bubble in Internet-related stocks collapsed), Exxon and Mobil (1999; \$81 billion); Citicorp and Travelers Corp. (1998; \$72.6 billion), AT&T and Bell South (2006; \$67 billion), SBC Communications and Ameritech (1998; \$60.1 billion), and AT&T and TCI (1999; \$48 billion).

See also conglomerate.

**APA**

Chicago

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## Harvard

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## MLA

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