

Argue on hostile takeovers

Business, Business Ethics



Lisa Newton argues against hostile takeovers and has many rational reasons backing her point. Takeovers in the past overall have not proven effective nor have they been monetarily beneficial to either the company or the society involved. Corporations are ruined and people, even families, are hurt. In this paper, I will argue against hostile takeovers for these reasons from the standpoint of a utilitarian.

Utilitarianism is the "moral doctrine that we should always act to produce the greatest possible balance of good over bad for everyone affected by our action." (Shaw & Barry, 59) Actions are evaluated according to their consequences and look to maximize happiness. The view is long-term not just immediately. A hostile corporate takeover is not a positive thing through the eyes of a utilitarian for several reasons.

To begin with, the idea of a possible takeover has degenerating effects on a company. "At the first level there is disruption and millions of dollars' worth of unproductive expense." (Newton, 189) Effectiveness and productive activity at the upper levels of management comes to a stop and systematical planning disappears. Employees become apprehensive about the security of their jobs and end up spending a majority of their time speculating or searching for another job. It takes a toll on everyone involved in that they feel dishonored or belittled. Utilitarians would argue this is not a moral action since it harms the majority of the people. It is not the greatest good for the greatest number. It may immediately (short-term) benefit those who have done the takeover and those in higher up positions. However, in the long run it may not benefit even anyone.

The early results of hostile takeover activity are combined with unnecessary and unwise business practices. The takeover has two destructive effects on corporate" s management. Equity is transformed into debt, leaving the company without protection. Being desperate, management may begin to look for short-term profits and impose by force aggressive actions not previously acted upon. This is deceiving to stockholders since they see high returns and stock prices even though the company does not have a good level of steadiness or security. It also harms the overall society since they usually depend on these large corporations for income and employment.

Companies are willing to pay high takeover prices that they engage in severe cost-cutting at every level and at any cost. This sometimes even includes eliminating those who are important in maintaining operations, which is never a good move for the company as a whole. These people will probably have a problem finding other jobs since higher level positions are usually held by people who have been at the company for an extended length of time and are therefore older than others would want a new employee to be at a starting position.

The basis of this issue revolves around money and does not consider those individuals involved. The corporate economy is at the mercy of the American dollar. People have become engrossed with making money that they sometimes forget they are dealing with other human beings. The takeover of a corporation may benefit those who are now in charge but not many others involved. Society winds up helping those newly unemployed and sometimes even the company itself.

There are no laws to protect or help those who may one day be involved in a hostile takeover. These people have rights since they have contributed a lot of time, effort and even money towards the growth of the company. A corporation is nothing by itself; it is made up of the people with whom it employs. Human needs are not noticed by business practice and they hardly receive the justice deserved. Hostile takeovers are " harmful to corporate stakeholders, the economy, and the general public." (Newton, 188) The law should restrict or even prohibit them, which is currently does not. There usually is no protection or justice for those involved. There are laws for anything and everything else to supposedly protect individuals, so why not this?

Most often the result is not positive. Individuals are hurt and the corporation is usually killed in the end. More people must argue that the corporation is a moral individual just like others. The reality is that people frequently expect more from takeover defenses than they can deliver. It is rare that any defenses are backed by common sense and critical business strategy, which could help resist a pursuer and help control the terms of the deal. " As a matter of right, and as a matter of utility, the takeover game should be ended." (Newton, 194)