

## **Abstract**

One of the most elusive ingredients in the success of a deal is what dealmakers euphemistically refer to as “social issues”—how power, position, and status will be allocated among the merging companies’ executives. A failure to resolve these issues often leads to the destruction of shareholder wealth and portrayal of top executives as petty corporate chieftains, unable to subordinate their selfish interests to the goal of promoting shareholder well-being. In some cases, like the aborted Glaxo-Wellcome–SmithKline Beecham deal in February 1998, these effects can be dramatic.

In spite of the crucial importance of social issues in the merger negotiation process, dealmakers lack effective tools for their resolution. Adjusted Winner, a point-allocation fair-division procedure, offers such a tool. It enables parties to decide who “wins”—sometimes only partially—on what issues in a way that is equitable, efficient, and envy-free. It is easy and inexpensive to apply, even in the case that two parties have different entitlements, and virtually impossible to manipulate. Its use is illustrated by several examples, which commend it for serious consideration by corporate executives and merger professionals practicing the difficult art of dealmaking.

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