

Shareholder activism

PROS	CONS
<ul style="list-style-type: none"> • Shareholder activism is a form of corporate governance that allows shareholders to voice their concerns and influence the behavior of the company's management. • Shareholder activism can help to improve the company's performance and reduce the risk of financial distress. • Shareholder activism can help to increase the company's transparency and accountability. • Shareholder activism can help to reduce the company's carbon footprint and other environmental risks. • Shareholder activism can help to increase the company's diversity and inclusion. 	<ul style="list-style-type: none"> • Shareholder activism can be costly and time-consuming. • Shareholder activism can be disruptive to the company's operations. • Shareholder activism can lead to a loss of control for the company's management. • Shareholder activism can lead to a loss of trust from the company's customers and other stakeholders. • Shareholder activism can lead to a loss of the company's competitive advantage.

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Activism Alone Won't Save Apple Shareholders

Shareholder Activism

PROS CONS

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Activism around the world

Can activist shareholders overcome the inertia of management?

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Depends on several factors:

- size of the investment
- composition of the investment (e.g., activist vs. institutional)
- the quality of the management
- the strength of corporate resources
- the role of the board
- activist's ability to engage

Debate

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Mahindra "Rise": A Brand Architecture Decision

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Conclusion

- Hedge funds face less restrictions than other investors + dispersed ownership
- Lots of tools for activism, but be aware of the restrictions!!
- Very limited action by activists, do not invest there

Activist Shareholder

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Agenda

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1. Problem statement
2. Pros and cons of shareholder activism
3. Activism at Apple
4. Activist strategy around the world
5. Conclusion
6. References

Problem statement

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Where and under which circumstances can a shareholder best make use of activism?

References

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Mahindra "Rise": A Brand Architecture Decision

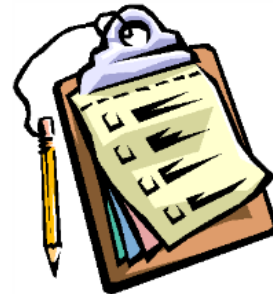
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Problem statement

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Where and under which
circumstances can a shareholder best
make use of activism?





Activist Shareholder

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**Can activist shareholders determine
the actions of management?**

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Depends on several factors:

- ease of communication
- congruence of interests among shareholders
- ownership structure:
 - concentration
 - complex corporate structures
- size of stock market
- activist's stake in company

Debate

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Shareholder Activism

PROS

CONS

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Shareholder activism

PROS

- More monitoring by activists on managers' decisions
- Potential new ideas will be brought up
- Activists can press for certain changes (divestments, new performance measures, more accountability)
- Significant positive abnormal returns around announcement date of change
- Changes of CEOs & chairmen give rise to large, positive excess returns

CONS

- Large amount bought by activist = share price up, when selling = potential drop
- Activists may have short-term horizon
- Few mechanisms to monitor fund managers
- Activist may have limited managerial competency
- Activist may not monitor efficiently (not internalize welfare of other investors)
- Management may focus on short-term results

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