

Management of Financial Policy Decisions: Capital Structure Policy

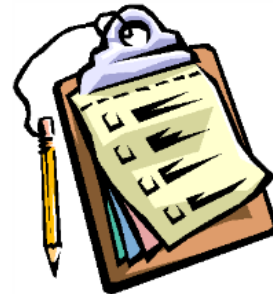
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Agenda

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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?





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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