

Shareholder activism
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PROS	CONS
<ul style="list-style-type: none"> • Shareholder activism can be used to influence the behavior of management. • Shareholder activism can be used to influence the behavior of the board of directors. • Shareholder activism can be used to influence the behavior of the company's employees. • Shareholder activism can be used to influence the behavior of the company's customers. • Shareholder activism can be used to influence the behavior of the company's suppliers. • Shareholder activism can be used to influence the behavior of the company's competitors. • Shareholder activism can be used to influence the behavior of the company's industry. • Shareholder activism can be used to influence the behavior of the company's market. • Shareholder activism can be used to influence the behavior of the company's economy. • Shareholder activism can be used to influence the behavior of the company's world. 	<ul style="list-style-type: none"> • Shareholder activism can be used to influence the behavior of management. • Shareholder activism can be used to influence the behavior of the board of directors. • Shareholder activism can be used to influence the behavior of the company's employees. • Shareholder activism can be used to influence the behavior of the company's customers. • Shareholder activism can be used to influence the behavior of the company's suppliers. • Shareholder activism can be used to influence the behavior of the company's competitors. • Shareholder activism can be used to influence the behavior of the company's industry. • Shareholder activism can be used to influence the behavior of the company's market. • Shareholder activism can be used to influence the behavior of the company's economy. • Shareholder activism can be used to influence the behavior of the company's world.

Shareholder Activism
PROS CONS
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Activism Alone Won't Save Apple Shareholders

Can activist shareholders influence the behavior of management?
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Depends on several factors:

- size of the investment
- composition of the board of directors
- the ability of the activist to influence the board of directors
- the ability of the activist to influence the company's management
- the ability of the activist to influence the company's employees
- the ability of the activist to influence the company's customers
- the ability of the activist to influence the company's suppliers
- the ability of the activist to influence the company's competitors
- the ability of the activist to influence the company's industry
- the ability of the activist to influence the company's market
- the ability of the activist to influence the company's economy
- the ability of the activist to influence the company's world

Debate
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Activism around the world

Shareholder Activists at Friendly Ice Cream (A1)
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Activist Shareholder
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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

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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Shareholder Activists at Friendly Ice Cream (A1)

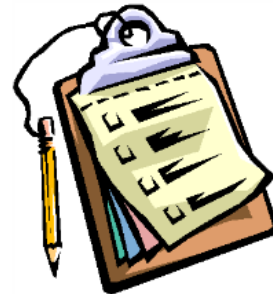
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Problem statement

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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

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- 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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