Specialist Shareholder Activists and their Impact on Campaign Win and Target Firm Value

***Valeriya Vitkova*[a], *Dimitris* Kyriazis[b], Panagiotis Asimakopoulos[b] *and Sudi Sudarsanam*[c]**

[a]Mergers & Acquisitions Research Centre (MARC), Bayes Business School @ City, University of London, [b]University of Piraeus, Athens, Greece, and [c] Cranfield School of Management

15 January 2024

Valeriya Vitkova, Senior Lecturer, Faculty of Finance and Mergers & Acquisitions Research Centre, Bayes Business School, 106 Bunhill Row, London EC1Y 8TZ, United Kingdom, valeriya.vitkova.2@city.ac.uk ; Dimitris Kyriazis, Associate Professor, Department of Banking & Financial Management University of Piraeus, Greece, **Email contact address**: dkyr@unipi.gr; Panagiotis Asimakopoulos, Assistant Professor, Department of Banking & Financial Management University of Piraeus, Greece, pasimako@unipi.gr and Sudi Sudarsanam, Emeritus Professor of Finance, Cranfield School of Management p.s.sudarsanam@cranfield.ac.uk . This research project has been supported by the Mergers & Acquisitions Research Centre (MARC) and the Research Centre of the University of Piraeus (RCUP).

Specialist Shareholder Activists and their Impact on Campaign Win and Target Firm Value

Abstract

Research Question/Issue: Using a US sample of 3,908 activist campaigns between 2005 and 2021 we examine whether the degree of specialist expertise of shareholder activists enables them to achieve better campaign outcomes and stronger long-term performance in target firms.

Research Findings/Insights: Shareholder activists differ across a number of key dimensions such as their investment style, their time horizon, their incentives for engagement as well as their mode of engagement with target firms. Crucially, activist investors also differ in the degree of specialist expertise and experience that they possess to carry out such campaign. Activists can seek changes in a multitude of different aspects of their targets' business activities such as their financial or business strategies, their governance structure, and rules in order to enhance their investment returns. We distinguish between different activist investor types based on the degree of their specialism. Specifically, we investigate four activist investor types, defined based on their degree of specialism, ranging from the most to the least specialised activists namely, *Exclusive*, *Substantial*, *Limited* and *Non-specialists*. Our findings suggest that higher levels of activist specialism increase the likelihood of campaign success. This result is aided by activist campaigns related to changes of the members of the board of directors of target firms, which increases the likelihood that the company will accommodate other demands put forward by the activists. We also find that the market's reaction to the campaign announcements is positively associated with the degree of activist specialism, with *Exclusive specialists* generating the highest announcement period returns. However, our analysis of long-term shareholder returns, and operating performance shows that this initial positive investor response is reversed during the three-year period after a given campaign. Specifically, *Exclusive specialists* under-perform the *Non-specialist activists* in terms of long-term value added, and only perform just as well as the latter in terms of long term operating performance. However, *Exclusive specialists* perform better than *Limited* and *Substantial* activists, mitigating the value losses for target shareholders. Thus, higher specialism is still of significant value to both investors and target shareholders.

Theoretical/Academic Implications: Modelling of the interaction between shareholder activists and the investee firms and its consequent value creation impact requires a keen understanding of the type of investor, its investment and portfolio management philosophy, degree of portfolio concentration, incentives for and costs of activism, and the activists' specialised expertise in campaigns.

Practitioner/Policy Implications: Shareholder activists must develop specialist resources and skills to intervene and adopt the right portfolio strategy to generate the right incentives for activism as an effective value-creating investment strategy.

JEL classification: G32; G38

Keywords: Specialist activists, campaign themes, campaign outcomes, endogeneity and long-term shareholder value

Specialist Shareholder Activists and their Impact on Campaign Win and Target Firm Value

1. Introduction

Hedge funds are among a range of shareholder activists that include active hedge funds, active traditional institutional funds such as asset managers, occasionally active institutional investors, large block owners of companies who act on their own etc. Different activists have different incentives to become active, depending on their asset management profiles e.g. whether they hold large well-diversified across numerous company stocks or concentrated portfolios and whether they generate revenue and profits from frequent trading in corporate shares. Their portfolio composition reflects their investment style as well as their value maximising strategy. Thus, the nature or level of activism is often tailored to the business model of the investor. Activist campaigns against target firms also assume a range of forms depending on the mode of engagement e.g. friendly or hostile, campaign objectives i.e. whether they seek governance changes such as board membership or business strategy changes e.g. in M & A strategies or in financial strategy etc. This raises the possibility that activists may differ in their specialism or expertise in undertaking activist campaigns.

Prior literature in the US and other countries has extensively investigated the impact of many of the above aspects of activism on campaign strategies and tactics including shareholder coordination, campaign success, the target firms' post-campaign short- and long-term shareholder value and operating performance etc[1]. However, the importance of activist specialism i.e. expertise in using activism as an investment philosophy and portfolio strategy to create shareholder value, in running effective activist campaign and in effecting changes in target firms to meet campaign objectives has not been explicitly recognised and incorporated into the analyses of target selection, campaign demands and tactics, and post-campaign re-configuration of target firms' governance, business and financial strategies. In our work, we argue that

[1] In Section 2 we review this literature on activism covering its various aspects.

activist specialism is driven by the investor's business model for investment in companies' stocks and its underlying value creation logic. It drives the portfolio concentration strategy and the need for, and ability to undertake, effective monitoring of the portfolio firms. It also drives the choice of activism as a value creation tool and hence the nature of activist intervention against target firms. It necessitates the development by the investor of capabilities and resources to support such intervention. In this paper, we elevate specialism as a critical factor in addressing the various issues concerning activism and its impact on target firms since the conventional broad-brush classifications e.g. hedge funds versus active/ passive institutional investors is inadequate for this purpose[2].

We drill deeper and empirically examine four activist specialism types, how these activist specialists differ from other activists in campaign tactics, the facets of the target companies they campaign to change, and their impact on the short term and long-term performance of those firms. These activists are: *Exclusive specialist, Substantial specialist*, *Limited specialist* and *Non-specialist* activists. We hypothesise that activists with greater specialism are more likely to win their activist campaigns and add more value to their portfolios.

We find, using a large US sample of activist campaigns during 2005-2021, that *Exclusive specialists* achieve greater campaign success than the other two specialist activists and *Non-specialist* activists. Campaign success is significantly more likely, the greater the activist specialism of the investor. Activists campaign for a range of demands (called campaign themes below) for changes in *Board Governance (BoardGov), Other Governance (OtherGov), Financial Strategy* (*FinStra*), *Business strategy (BusStra)* and *M & A-related* deals. The choice of campaign themes is correlated with the activist specialism of the investor, suggesting that such specialism dictates the nature of changes sought. Activists differ in the campaign tactics they employ. Coordinating their campaign with other shareholders e.g., institutional

[2] See Appel, Gormley and Keim (2016, 2019) and Boyson et al (2022). These are critiqued in Section 2.

shareholders, in the target firms, a tactic known as Wolf Pack (WP) formation, to increase the chances of campaign success is employed by different activists to different degrees.

The stock market greets the announcement of campaigns by specialist activists with more value addition than the campaigns of *Non-specialists. Exclusive specialists* score the highest in terms of campaign success, followed by the other specialists who in turn are more successful than *Non-specialists*. Although successful campaigns create higher shareholder value at announcement than failed campaigns, this superior performance is not sustained over three *post-campaign* years in terms of buy-and-hold-abnormal returns (BHARs). *Partially successful* campaigns indeed significantly underperform both successful and failed campaigns in terms of operating performance over the following one and two years. When the campaign ends in success or partial success, *Exclusive specialists* generate significantly better BHARs over three years than the other specialists. Overall, there is evidence of significantly more value created from campaigns led by more specialist activists.

The changes the activists seek in target companies depend on their business model, time horizon for realising their value creation goals, the regulatory constraints on sharing information between the activist and the target and the specialism that the activist has developed in campaigning. Specialist activists' campaign for operational and business strategy changes whereas *Non-specialists* campaign for more governance and public policy changes. This evidence is consistent with the arguments laid out by prior literature for the relation between activist specialism and the campaign style, content and goals. Fundamental pre-campaign characteristics of target firms have a far stronger influence on their post-campaign shareholder value and operating performance than the campaign success or activist specialist identity.

Our overall results provide evidence that high levels of activist specialism contribute to higher likelihood of activism success, stronger and more positive investor reaction at the time of campaign announcement and higher long term value creation. An important take away is that in spite of this superior performance over lesser specialists, the most specialised activists i.e. *Exclusive specialists* under-perform, in terms of long term value added, the *Non-specialist* activists and only just as well as the latter in terms of long term operating performance. Another take away is that without high specialism, the activist investors will seriously underperform even the *Non-specialists.* We infer that there is significant value to activist specialism, but activism should be avoided by investors with insufficient specialist expertise and inappropriate mixture of investment philosophies. Activism is not for the dilettantes who want to dabble in it. A third takeaway is that campaign success by even specialised activists does not open the doors to *El Dorado* and that failed campaigns perform as well as the successful ones and certainly much better than the partially successful ones.

Our study contributes to the literature on the impact of the activist specialism by postulating that the level of activist specialism is an important activist attribute shaped by the activist's investment business model, the expenditure of resources in capacity and skill development, time horizon for realising the benefits of activism and the ability to avoid the regulatory constraints on sharing of information with the activist targets to advise on and implement the changes being campaigned for. We employ a comprehensive classification of activist types as defined by the *Activist Insight* database and thereby elevate specialism as a critical classificatory criterion, unlike the broad-brush criteria employed in prior studies. Such an analysis of activist types allows us to judge whether high degree of activist specialism is effective in improving corporate performance and shareholder wealth. We provide new evidence on the relevance of specialism in activism to the determination of the campaign themes and tactics, campaign success and target performance enhancement. This fills a gap in the extant literature that has failed to explicitly recognise the importance of activist specialism in analysing the impact of activism.

The organization of this paper is as follows. Section 2 provides a discussion of the literature on performance and value effects of shareholder activism and formulates the hypotheses tested, Section 3 provides a description of the data and methodology, Section 4 presents the results from our empirical analysis and Section 5 summarises our results and provides conclusions and recommendations.

2. Literature Review of Shareholder Activism Types and Hypotheses

Shareholder activists include hedge funds, institutional investors and occasionally large individual shareholders. They may differ in terms of their ownership, regulatory rules they are governed by, whether activism drives their investment philosophy, what proportion of their investment is dedicated to activism, their time horizon for realising activism benefits etc. Their business model would dictate their investment strategy, need for activism, activist campaign style and the costs they may face. There is a clear distinction between activists that run funds dedicated to activist interventions of an episodic nature and funds that hold large and diversified portfolios e.g. mutual funds for whom intervention is a more continual process, more interactive and less confrontational. Given these differences, investor types may differ not only in their campaign goals and tactics but also in their ability to achieve those goals and deliver enhanced shareholder value.

2.1 Specialist activists, their business strategy and value creation model

Appel, Gormley and Keim (AGK) (2016, 2019) compare the activism characteristics of the traditional institutional investors and hedge funds dedicated to activism as an investment strategy and value creation tool. The former, described as 'passive', prefer changes that will generate value over the long term rather than 'quick-fix' changes such as financial restructuring or M & A deals. Passive investors also avoid a more confrontational campaign style and costly campaigns e.g., proxy fights. Thus, there is a clear divergence in the time horizon for value creation and hence in the types of changes these investor groups advocate and in the campaign styles they adopt. The choice of campaign theme for change and choice of campaign style are also dictated by coordination costs of proxy proposals and litigation costs of proxy fights. Another important determinant is the relative risk and cost of campaign failure to the activists.

The traditional institutional investor's business model is to invest in a well-diversified portfolio of company shares (Becht et al., 2017). They also need to be mindful of public perception and reputation and need to be therefore less aggressive in their approach to portfolio companies. There may be regulatory or legal constraints. For example, such institutions may be wary of nominating to portfolio companies' directors who may become privy to insider, non-public information and the nominating institutions will be inhibited from trading in securities of those companies, to avoid insider trading laws (Afsharipur and Gelter, 2020). Bebchuk and Hirst (2019) note that big institutional investors following indexed portfolio strategies may only devote a negligible fraction of fee income to stewardship, thereby allowing only limited and cursory stewardship of their portfolio companies. These factors diminish the need and incentive for activist specialism. This contrasts with the greater freedom that HF activists have[3].

The above considerations mean that different institutional investors may choose different levels of activism based on their resource deployment to develop specialist expertise, cost-benefit analyses, the time horizon for benefit realisation, etc. The institutions that pursue activism as an investment and value creation strategy need to develop a high level of activist specialism manifested in capacity building, information infrastructure, target scanning and screening techniques, negotiation skills etc. They will weigh whether the pay-offs from the specialism they develop will outweigh the costs of committing resources to develop adequate activist capabilities.

AGK (2016) show that the traditional institutions are 'passive investors' but not necessarily 'passive owners'. They intervene actively to bring about change in the investee firms, but their activism may be less overt and confrontational, in both campaign style and in the demands they make. This may be because these

[3] Gilson, and Gordon (2013) argue that institutional investors are more inclined to increase their revenues and profits by enlarging the portfolios under their management rather than by ensuring better performance of portfolio companies through effective monitoring. Bebchuk, Cohen, and Hirst (2017) also argue that investment managers of indexed funds or even actively managed funds have the wrong incentives to monitor their investments and they tend to support incumbent managers of the investee firms too long. Kahan and Rock (2007) reckon that hedge funds due to their different incentives and objectives often pursue goals, which diverge from the interests of other stakeholders e.g. short-term gains at the expense of long-term performance.

investors may not "have the mandate or aptitude to take on the management. What they often do have is a significant knowledge of the company and its shortcomings" (Milano and Cryan, 2015). In their 2019 paper, AGK show that passive investors facilitate activist campaigns and, activists, in selecting their target companies and campaign tactics, will take account of the ownership structure of those firms. Thus, the relation between different institutional investor types is sometimes adversarial but may also be accommodative. The tactic of 'wolf pack' formation in activist campaigns is based on such complementarity of interests (Brav, Dasgupta and Mathews, 2021; Coffee and Palia, 2016; Dimson, Karakas and Li, 2015).

2.2 Specialist activists, their expertise, resources and campaign strategy

Park and Marchand (2015, p83) note that by the time an activist campaign hits the headlines, months or years of preparation have been completed. Activist campaigns managed by seasoned shareholder activists often involve a comprehensive and sophisticated analysis of corporate valuations, governance structures, shareholder sentiment, and institutional voting policies. Almost all of this analysis is completed behind the scenes and well in advance of holding discussions with management or publicising specific demands for strategic, operational and financial change. From identifying undervalued stock as a potential target for activism through analysing its suitability, launching a proxy contest, building a proxy platform, discussions with other investors, demanding negotiations with management, threatening proxy contest and negotiations are steps in a long-drawn-out process. With proxy fight, the cost, time and risk of failure also increase substantially[4]. Gantchev (2013) differentiates between a HF's *activist* holding and its *non-activist* holding. It is easy to see that activism strategy which relies on a complex process described above has to have developed a high level of expertise, deep human and information resources, specialism and reputation to win campaigns and earn adequate return on that strategy. Costly procedures, e.g. proxy fight, tend to be

[4] Gantchev (2013) estimates the average cost for his US sample of HF activists at the Demand negotiation, Board representation and Proxy contest stages at \$2.94m, \$1.83m and \$5.94 respectively with a total of \$10.71m. He also reports that the annualised mean abnormal return to the 13d filing activists over all stages is 0.23% whereas it is 14.84% for the non-activist holdings under 13f filing. He concludes that "subtracting costs significantly reduces gross activist returns".

pursued primarily by hedge funds with specialist expertise. However, not all HFs may have, or choose to develop, these endowments unless their business model requires specialised activism.

Clifford (2008) differentiates between hedge funds' activist posture (as defined by them under Schedule 13d) and 'passive' HFs' investment policy (as defined under Schedule 13f) and finds that activist HFs outperform passive HFs. Similar results of the superior performance of activist HFs have been reported for the UK (Becht, Franks, Mayer, and Rossi, 2009) and Germany (Bessler, Drobetz, and Holler, 2015; Mietzner and Schweizer, 2014) and the US (Boyson, and Mooradian, 2011). This means that all HF investments cannot be treated as 'active'. Similarly, not all HF activists are specialist activists. It is also not helpful to lump all HFs as 'active' and all institutional investors as 'passive'. Such conventional labels ignore the nuances in specialism that different activists deploy.

To turn to campaign strategy and tactics, when HF activists see unrealized value and missed growth opportunities in a company due to poor management they engage with the current directors or campaign to elect new ones so that such value can be realised. They also enlist the passive investors forming a formal Wolf Pack[5] or tacit coalition taking advantage of institutional investors' own proactive policies for corporate governance changes, social/ political initiatives etc (Paula, Bromilow, and Malone, 2018). However, such coalition building encounters the conflict of interests between specialist activists and non-specialists, such as index tracking institutional investors. Kumar and O'Hanley (2016) of State Street Global Advisors operating index funds argue that activist strategies focus on the short term e.g. financial engineering such as share buybacks, leveraged dividends, spin-offs and M & As which could add value in

[5]Formation of a 'wolf pack' with one activist leader and several other activist investors or other funds joining the pack during the disclosure period of 10 days under schedule 13d may reduce both the capital outlay and the risk exposure of the pack leader. On wolf packs see Coffee and Palia (2016) and Brav et al (2018). Gonzalez, T.A. and Calluzzo, P. (2018) investigate the coordinated campaigns of multiple activists (analogous to wolf packs) describing such coordination as clustered activism. They find that clustered activism is more likely to happen when the target firm is large, and activists are not geographically far away; it increases short-term abnormal returns to target shareholders and improves the targets' accounting performance one year after the campaign. This points to the long-term benefits of clustered activism/ wolf pack extending well beyond its use as a campaign tactic.

the short term but may be undermining long term value. Boyson and Pichler (2019) report aggressiveness and hostility among HFs' campaign toolkit and find their positive impact on targets' long-term shareholder returns and operating performance[6].

Ben Arfa, Ammari and Boussada (2020) find from a qualitative comparative analysis of a sample of 33 French listed targets of HFs activists that their interventions, especially when aggressive, are value enhancing relative to passive investors. This implies that they have developed much expertise in fine-tuning campaign tactics and much reputation among potential target firms to pose credible threats to the latter. Wiersema, Ahn and Zhang (2020) show the importance of reputation of the HF investor to campaign success, since target firms' management may be more willing to settle with an HF investor who has the reputation of being confrontational and able to win their campaigns[7]. Thus, choice of campaign tactics is dictated by the activist's specialist expertise.

Specialist Activists, Campaign Themes and Campaign Outcomes

Since some activist investors aim for quick realisation of value gains from their campaigns while others may play a long game, the former may push for changes in target firms, which are high-impact changes leading to early value gains e.g. M & A-related actions, sale of targets or certain financial policy changes e.g. share buy-back. Changes related to competitive moves, governance changes, financial re-configuration etc may take long to fructify and may be preferred by *Non-specialist* activists. Thus, the choice of campaign demand/ theme may differ across activist specialists.

Appel, Gormley, and Keim (2019) present evidence showing that the increased ownership by passive investors (e.g. mutual funds) is positively linked with the incidence of a proxy fight, the chance that activists obtain seats in the board of directors and the sale of the targeted firms. When passive investors side with

[6] Boyson, Gantchev and Shivdasani (2017) find that counter-resistance by hedge funds to target management resistance motivates target managers to improve their companies' performance to avoid future activists.

[7] The study uses Schedule 13D filings with the SEC to discriminate initially between active and passive investors (Schedule 13G) and other sources such as Shark Watch 507 (to detect the reputation of them, for example being confrontational or not) from the Shark Repellent Database.

the activists the latter's free-rider problem is mitigated (Grossman and Hart, 1980). Thus, investor coordination seems to happen even in the absence of overt Wolf Pack (WP) tactics pursued by activists. However, coalition building requires finesse in finding commonalty of interests and negotiation skills and requires specialist expertise and reputation for fair dealing.

To sum up, the above studies show that activists are not homogeneous in terms of their incentives for activism, style of activist campaign; their campaign goals and demands, and their campaign tactics. They differ in their specialism, expertise and reputation in launching and managing activist campaigns and in post-campaign delivery of their campaign goals. These differences will likely impinge on the target performance and shareholder value outcomes.

2.3 Target firm performance after activist campaigns

Numerous US studies have reported that HF activists enhance the value of their target firms, both in the short term around the campaigns and in the long-term following their campaigns e.g. Klein and Zur (2009), Brav et al. (2008). Boyson and Mooradian (2011) find that targets' short term as well long-term operating performance improved under more aggressive HFs aiming to induce corporate governance changes, mergers, and reduction in excess cash earned higher returns than under less aggressive or non-active HFs. Similarly, Bebchuk et al. (2015) report large shareholder returns over 3 and 5 years and no negative impact on long-term firm operating performance.

Boyson, Gantchev and Shivdasani (2017) show that HF activism creates shareholder value by increasing the probability that targeted firms will be eventually acquired. Jiang, Li and Mei (2018) show that HFs can improve the terms of already announced deals by acquirers whom they targeted in their campaigns. Gantchev, Sevilir and Shivdasani (2019) find that HF activists enhance the efficiency of takeover deals and shareholder value by targeting firms which engage in empire-building, diversifying acquisitions. Gantchev, Gredil and Jotikasthira (2019) discover positive effects of HFs activism on corporate governance and performance of targets. Denes, Karpoff, and McWilliams (2017) from their review of 73 empirical studies conclude that shareholder activism in the form of a partial acquisition or a full acquisition of the target firms leads to significant improvements in their long-term returns and operating performance. Wu and Chung (2022) also detect a beneficial impact of HF activists' interventions on target firms' M&As activity by inducing these firms to make fewer and better deals. Brav, Jiang, Ma, and Tian (2018) show that, following hedge fund engagement, companies experience an increase in innovation. Several non-US studies also report shareholder value gains from HF activism e.g. Becht, Franks and Grant (2010) ; Becht et al. (2017).

Swanson et al. (2022) differentiate HFs from other private activist investors (e.g. private equity, venture capital firms, insurance companies and financial service firms) and find that short-term returns are similar for both types of activist types but, over 24 months, the cumulative return for other private activist campaigns is significantly larger. They also report that private activists' campaign more frequently for sale of a part or the whole of a target firm than hedge funds and such campaigns generated larger returns than non-M & A related campaigns. This study though is limited to just two very broad types of activist investors[8].

While these studies analyse whether HF or other activism leads to shareholder value creation or improved target operating performance, they do not analyse whether such performance is a function of the degree of activist specialism. They do not differentiate HFs on the basis of their relative specialism. They also do not recognise that institutional investors, while guided by different investment strategies, different incentive for activism and choosing different campaign themes may nevertheless achieve their activist objectives effectively. We elevate specialism as a necessary and critical criterion for a meaningful classification of both HF and non-HF activists and for understanding how activism impacts on the choice

[8] The investment bank, Credit Suisse, in its Insight Report (2019) shows that activists who focus on a theme containing M&As or remuneration outperformed all other demands/themes (Balance Sheet, Board related, Business Strategy and other governance) both in the short- and long-term returns. In fact, M&As and remuneration demands are the only strategies producing small long-term value, in contrast with the other demands which yield negative excess returns.

of campaign themes and tactics as well as on the campaign outcomes, target firm performance and shareholder value creation. This focus on specialism allows us to develop our hypotheses.

2.4 Specialism-based Classification of Activists and Hypotheses for Testing

We have noted that AGK (2016, 2019) distinguish between activism of institutional investors and the more 'hard-core' activism of HFs. We can regard the former as akin to *non-specialist* and the latter as akin to *specialist* activists. By contrast, Boyson, Ma and Mooradian (2022), classify HF activists on the basis of the prior work experience which gets reflected in the activism characteristics of the investment vehicles/ institutions they subsequently captain. They identify three categories of HF activists: generalists with investment banking background; specialists with private equity background and non-financial experts. They find that activist choices, strategies, target and stock market responses and campaign strategies vary with activist identity. In our view the criterion used by the authors is too narrow to allow for the identification of genuine specialist activists because it does not explicitly recognise the importance of the business model, investment philosophy and the portfolio concentration which clearly separate our activist specialists, as described in the previous sections. In our work, identification of activists of varying specialism is based on such explicit recognition[9]. Further this paper focuses only on HFs. We go beyond HFs.

Sims (2003) argues that investors make allocative decisions using the risk-return information about available investment opportunities and guided by their own portfolio management strategies e.g. whether passive or active and their time horizon for realisation of the expected returns. Active portfolio management requires considerably more resources than passive management in the form of information systems, analytical capabilities, legal expertise, skills for interaction with target firms etc. Over time active investors may become specialist monitors of the investee firms with a capacity for effective and timely intervention and secure higher returns than less active investors to reward their specialist expertise and compensate for the cost of developing that expertise. Portfolio concentration allows focused monitoring and activism

[9] It is arguable that the HF founder's work experience will shape his/ her firm's investment philosophy, portfolio construction, choice of specialist activism as a business model, campaign tactics etc. However, deriving such a causative link is extrapolative and does not amount to explicit recognition.

(Chen, Harford and Li, 2007). *'Bang for buck'* is greater if activism effort is focused on a smaller number of larger investments. Concentrated portfolio style also allows development of the necessary infrastructure and capabilities, which in turn enhance the effectiveness of activist campaigns, their success and the resultant value creation.

Fich et al. (2015) argue that the extent of monitoring a target firm is subject to is a function of its relative portfolio weight and is associated with higher likelihood of target-related M&A deal completion and larger deal premiums. Ward, Yin and Zeng (2019) use the relative weight of a given company in the portfolio as a proxy for the investor's motivation to monitor that company and find that the investment efficiency of the target companies is higher, the greater the presence of motivated monitors on its share register.

We propose that the proportion of the activist investor's portfolio which is dedicated to activist investment strategies as opposed to other types of investment strategies such as for example passive investments or risk arbitrage is an important trigger for activism. Such concentration motivates the investor to actively monitor the target firms and to try to influence their decisions. It provides an important incentive for activists to invest resources in activist specialism to gain competitive advantage over other activists who rely on mixing activist and non-activist portfolio strategies. Specialist activists can then deploy effective campaign strategies in a timely way so that their chances of campaign win as well as the realisation of their value creation objectives are greater. We apply these ideas to our classification of different types of activist investors.

In our analysis, activist investors are split into different types depending on their commitment to activism as a core investment and portfolio management philosophy. We base our classification on the substance of the definitions provided by *Activist Insight* (see Table 1). We distinguish among a) *Exclusive Specialism* activists who proactively and systematically identify and target underperforming companies, and for whom potential activist targets typically form a significant majority of their investment portfolios, b) *Substantial Specialism* activists who also proactively and systematically target underperforming companies as part of an established activist investment strategy, but differ from *Exclusive specialists* in that potential activist targets comprise only a portion of their investment portfolios alongside other investments driven by other value creation philosophies c) *Limited Specialism* activists for whom activism does not typically comprise a frequently-used strategy within their general investment philosophy, d) *Non-specialist* activists that escalate their otherwise typical investment stewardship responsibilities in order to protect and enhance shareholder value[10]. These long-term institutional investors normally adopt low key but continual engagement with target managements but sometimes escalate to adopting more overt campaigns e.g. making shareholder proposals.

All our four specialist activist groups have the following in common: they hold portfolios of shares in public companies in the US, but their portfolios vary in the degree of their diversification/ concentration. They all make public demands for changes in their portfolio companies. Thus, they are all ***public campaigners***, but their demands vary by the specialism of their activism. It must be clear that we are not comparing activists with non-activists. Our activists are not differentiated between hedge funds and traditional institutional investors as a binary, but between varying levels of activist specialism. Neither are they differentiated between public and private activism initiatives. We note that hedge funds are most likely *Specialists* but they do not all fall into the *Exclusive specialist* category.

Based on these specialist activist types, we expect that *Exclusive specialist* activists will be best positioned to complete their campaigns successfully and generate significant value gains for target shareholders. Given the greater scale of resources devoted by *Specialists* to develop the infrastructure e.g. information systems, scanning and analytical capabilities as well as the capabilities and resources to mount effective activist campaigns, *Exclusive specialists* may be better able to win their campaigns and generate

[10] The nomenclature used by *Activist Insight* is different from ours and consists of: *Primary Focus, Partial Focus, Occasional Focus* and *Continual Focus*. We believe that ours differentiates the four categories not only in terms of their portfolio strategy but also in terms of their activist campaign capabilities. We exclude from our sample, the *Activist Insight* category, *Concerned shareholders*, since they are unlikely to be investors in portfolios and may not pursue activism as an investment strategy and hence unlikely to initiate public activist campaigns. Activist Insight defines Concerned shareholders as, individual shareholders, or groups of shareholders, who attempt to enforce change typically at a single company in response to poor performance or other grievances. Typically, these one-off situations are advanced by former directors or management, or related parties.

higher rewards than less specialised activists and *Non-specialists*. *Substantial specialists,* while sharing some of the attributes of *Exclusive specialists* may, however, differ in their investment style, incentive for activism, infrastructure and capabilities etc. These may lead to lower probability of campaign success and lower value gains. A similar reasoning would lead to hypothesising relative underperformance by *Limited specialists* and *Non-specialists.* Table A1 in Appendix A provides examples of the different investor types and campaigns. While the gradation of specialists enables us to assess the impact of relative specialism, comparison with *Non-specialists* allows us to assess whether or not any degree of specialism is effective in achieving the activists' goals.

Following the above reasoning, we formulate the following hypotheses that emphasise the importance of activist specialism in the investment style, portfolio strategy and campaign management capabilities:

- H1: The greater ***the activist specialism*** of an investor, the higher is the likelihood of its campaign success;
- H2: The greater ***the activist specialism*** of an investor, the stronger and more favourable is the short-term stock market reaction;
- H3: Given campaign success, the greater ***the activist specialism*** of an investor, the greater is the long-term value gain to the investor; and
- H4: Given campaign success, the greater ***the activist specialism*** of an investor, the stronger is the long-term operating performance of target firms.

We present empirical evidence below to test the above hypotheses.

3. Data and Methodology

3.1 Sample

We construct a database of US exchange-listed targets of activism which covers all campaigns announced in the period January 2005 – December 2021. Our sample of activist demands that set the campaigns rolling was obtained from two sources – Thomson One Banker (now incorporated in Refinitiv

Eikon) and *Activist Insight*. We merge the activist demand datasets obtained from the two database providers. To identify the purpose of each activist engagement we used the information provided by Thomson One Banker and *Activist Insight*. Our final sample consists of 3908 activist campaigns against US public companies, announced during the sample period. Table 1 provides a summary of the definitions of variables analysed in this study and Table 2 provides key summary statistics of our activist demands sample. In Table 2, Panel A, we observe a steady increase in the number of announced activist campaigns throughout the sample period. From Table 2, Panel B, we find that companies which operate in the consumer goods and services, technology and industrials sectors are most likely to be targeted by activists, with 26%, 17%, and 14% of activist campaigns in our sample being accounted for by each of these industries respectively.

[Please Insert Tables 1 and 2 about here]

Table 3, Panel A provides a breakdown of our sample by three different outcomes as defined by *Activist Insight*: 1. *Activist's Objectives Partially Successful,* which captures cases where the activist has been somewhat successful in achieving its objective, for example, the activist has received two board seats but had demanded three; .2. *Activist's Objectives Successful,* which captures cases where the target company has fully satisfied the activist's demand, e.g., the activist demanded and received three board seats; 3. *Activist's Objectives Unsuccessful* which captures cases where the activist has been unsuccessful in achieving its objective, usually following a shareholder vote or a response from the company, that suggests that the activist's demands will not come to fruition. These are campaigns where the target managements tend to be hostile and successfully thwart them. It is interesting to note that the activist investors appear to be unsuccessful with their demands, slightly more often (50% of campaigns) than they appear to be partially (7%) or fully successful (43%) in getting their demands met. It is noteworthy that in a majority of cases (57%), targets managed to ward off the activists either without conceding any of the activists' demands at all or only conceding partially. This means activist campaign have a less than 50% chance of complete success. This low probability of campaign success must weigh upon the cost-benefit analysis of activists when contemplating a campaign. It is of particular concern to *Exclusive specialists* whose business model relies on activism as their 'bread & butter' and whose activism model tends to rely on high-cost campaigns (See Gantchev, 2013 and footnote 4 *ante*).

[Please Insert Table 3 about here]

Table 3, Panel B shows the breakdown of the campaign themes, each of which represents the changes to a particular facet of the target firm - its strategy, structure, rules or policies - sought by different activist types. Each theme represents the changes relating to one facet e.g. higher dividend or share buyback fall under the *Financial strategy (FinStra)* theme. Which individual demands raised by an activist fall under each of the five themes we examine are indicated in Table 1. Panel B shows association between activist specialism and the campaign themes and points to marked preferences for different themes by different activist types. *OtherGov* theme was raised in 1425 campaigns of which 85% figured in the *Non-specialist* campaigns. They also account for 25% of the campaigns raising the *BoardGov* theme. In campaigns raising financial strategy, business strategy and M & A issues, they are involved in less than 5% of those campaigns. Thus, *Non-specialists* seem overwhelmingly concerned about non-strategy and non-operational issues. By contrast, the specialists are more involved in raising strategy issues. *Substantial specialists* account for about 40% of the campaigns raising financial strategy, business strategy and M & A issues but only 30% of the campaigns raising the *BoardGov* theme. *Exclusive specialists* are involved in about 30 to 36% of the campaigns raising the strategy issues but in only 5% of the campaigns raising *OtherGov*.

Similar thematic differences in preferences between hedge fund activists, akin to our three specialist categories, and long-term institutional investors, akin to our *Non-specialists*, have been reported in the prior literature (see Appel et al,2016 and 2019; Gantchev, 2013). However, we observe that even among specialist activists, preferences vary. While *Limited specialists* account for about a quarter of the campaigns raising financial strategy, business strategy and board governance themes, *Substantial (Exclusive) Specialists* account for over 40% (30%) of campaigns raising financial strategy, business strategy and M & A themes. While *Non-specialists* account for 41% of all campaigns, they account for 85% of campaigns raising *OtherGov* issues. While *Substantial (Exclusive) Specialists* account for 24% (19%) of all campaigns, they account for 41% (36%) in business strategy theme campaigns and for 41% (30%) in M & A theme campaigns. Specialist activists seem essentially concerned with the finance and business strategy transformation including through M & A transactions but use board representation as an instrument to achieve that transformation. *Non-specialists* seem essentially concerned with the governance structures and rules and regulations. *Specialists* seem to pursue themes with low hanging fruit i.e. realisable in the short term unlike the *Non-Specialists*, consistent with the criticism by index tracking institutional investors (see Kumar and O'Hanley, 2016 cited above).

Non-Specialists and *Specialists* that combine activism with non-activist investment strategies may be subject to regulatory constraints in the form of insider dealing laws when they come into possession of information about the investee companies' financial and business strategies. This will inhibit their ability to trade the shares in those companies. Given this constraint, these activists may be reluctant to push changes in financial or business strategy since, in the absence of relevant information about the target's plans in these areas they will be unable to advise the targets. On the other hand, *Exclusive specialists* which are non-public institutional investors may be able to receive information from target firms without fear of falling foul of insider trading laws (Afsharipur and Gelter, 2020). Thus, they can campaign for changes on which they will be free to advise the target firms if their demands are met. This unequal regulatory burden seems to explain the *Non-specialists'* greater preference for the *OtherGov* theme and the *Specialists'* preference for *FinStra, BusStra* and *M & A.* Even *Substantial specialists* and *Limited specialists* share the *Non-specialists'* regulatory disability since only a part of their business may be ring-fenced in the manner of a fully private *Exclusive specialist.*

In Panel C of Table 3, we report the Wolf Pack (WP) tactic used in the campaigns of the four different activism specialist types. Overall, 60% of the sample campaigns employ the WP tactic, suggesting that public campaigns for changes in companies require broad shareholder support. *Substantial* (*Exclusive) Specialists* use WPs in 67% (61%) of campaigns whereas *Limited Specialists use them in 70% of their* *campaigns.* By contrast, *Non-specialists* are supported by WPs in only 51% of their campaigns. It appears that since the specialist activists pursue more strategic changes than governance changes (see Table 2, Panel B discussion above) and these strategic changes yield immediate pay-offs, their campaigns attract the support of a wider range of investors with the incentive to join a Wolf Pack.

In Table 3, Panel D, we report the breakdown of campaign outcomes by activist specialism. *Non-specialists* account for 61% of the failed campaigns while the *Exclusive (Substantial, Limited)* activists' figure in only 10% (17%, 12%) of failed campaigns. While *Exclusive specialists* launch 19% of campaigns, they account for 28% (31%) of successful (partially successful) campaigns. *Substantial specialists* are even more successful than the *Exclusive* activists as they settle for partial success more than the *Exclusive specialists* (41% vs 31%). Thus, *Exclusive specialists* score the best hit rate of outright success relative to their percentage of participation in all campaigns[11].

Our untabulated analysis of the pairwise correlations between activist specialism and campaign outcomes shows significant negative correlation between *Non-specialists* and campaign success and significant positive correlations between success and specialist activists, such correlations being stronger for more specialised activists[12]. This result and those provided in Tables 3 suggest that there are some systematic differences in terms of the types of changes that the different activist investors campaign for and in terms of the thematic preferences between specialist and non-specialist activists as well as between more and less specialised activists. Additionally, Table 3 also demonstrates that the activist investors differ in terms of their likelihood of winning their campaigns with specialists outperforming non-specialists.

[11] When we analyse outcomes by campaign themes, the M & A theme figures in 12% of campaigns and accounts for 11% (4%) of successful (partially successful) campaigns. *OtherGov* accounts for 50% of campaign failures whereas *BoardGov* for only 28%. But the latter accounts for 79% (46%) of partially successful (successful) campaigns. It appears that target managers are more willing to cede ground to activists on board representation than on other governance reforms or on business decisions. Their strategy seems to benefit from the activists' counsel while on the board or keep 'the enemies in' rather than keep them out and face future insurrection.

[12] In a related analysis, we find that *BoardGov, FinStra* and *BusStra* are positively correlated to success whereas *M & A* and even more, so *OtherGov* are negatively correlated with success. It appears that target managers hold their line on critical business decisions like M & A and governance rules that shield the management discretion and diminish the chances of campaign success.

Campaign win also depends on the thematic category of changes demanded. Based on these observations it is plausible to expect that the post-engagement performance of the targets of activist investors will differ depending on activist specialism, the changes they have demanded and how far they have succeeded in pushing the target firms to agree to these demands. Our hypothesis H1 that the degree of activist specialism is positively related to campaign success is supported.

3.2 Measures of post-campaign performance

We measure long-term value creation on the basis of company share price returns using the buy-and-hold abnormal returns (BHAR) which accrue to shareholders over different event windows such as (t-1 month, t+12 months), (t-1 month, t+24 months) and (t-1 month, t+36 months) where t is the day of announcement of the campaign and the month is centred on t.[13] We measure BHARs over 1-year, 2-year and 3-year periods from the month prior to engagement announcement. The BHAR approach to measuring abnormal returns has been widely used in studies involving share price performance (see, e.g., Barber and Lyon, 1997 and Mitchell and Stafford, 2000). Mitchell and Stafford (2000) define BHAR as “the average multiyear return from a strategy of investing in all firms that complete an event and selling at the end of a pre-specified holding period versus a comparable strategy using otherwise similar non-event firms.” An advantage of using BHAR is that this approach to measuring company share price performance is closer to investors’ actual investment experience compared to the periodic rebalancing which other approaches to share price performance analysis involve. The BHARs are equally weighted and adjusted to the performance of the respective Datastream local index or MSCI industry index of each company over the same period. In order to test the robustness of our results based on the analysis of share price performance we also measure performance using accounting information following activist engagement. Specifically,

[13] Note that the BHAR analysis uses the total returns of a company, i.e. it includes share price appreciation or depreciation as well as the return from reinvesting the paid dividends.

we investigate the evolution of company ROE over a period starting three years before and ending three years after each engagement.

3.3 Treatment effect estimation

As noted in our review of extant literature above, target companies have a variety of financial characteristics that are significantly different from those of non-target companies e.g. firm valuation, liquidity, leverage, and growth. It is necessary to account for these key financial characteristics in order to provide a more direct and reliable method for dealing with endogeneity/ self-selection bias[14]. We first identify a set of possible predictors of the likelihood of being targeted by an activist and then use the Abadie and Imbens (AI) (2006) matching technique to evaluate the 'average treatment effect' of becoming the target of an activist intervention. According to Colak and Whited (2007), this matching procedure is superior to the other methods such as the propensity score matching (PSM) (Dahejia and Wahba, 2002) and the Heckman bias adjustment procedure (Heckman, 1979) since it does not involve any parametric assumptions regarding the distributions of the variables. Relaxing such assumptions is particularly important when using income and balance-sheet statement items because the distribution of these line items is not accurately captured by the logistic or normal distributions which are the two distributions assumed by the PSM and Heckman matching methods. Further discussion and analysis of the AI procedure are provided in the Appendices B and C.

4. Empirical Analysis Results

[14] A few studies in their analyses of hedge fund activism and company performance address the endogeneity issues. Brav et al. (2008) use a difference-in-difference regression analysis with the use of a sample of both target and non-target companies. Brav et al. (2015) use plant-level data from the US Census Bureau to estimate the Cobb-Douglas production function and show that target companies experience improvements in production efficiency during the three years following engagement. Brav et al. (2015) also adopt a second method to deal with endogeneity. They separate their sample into 'passive' and 'active' engagements. To identify these 'active' engagements and examine cases where the hedge fund changed its filing status from a Schedule 13G filing to a schedule 13D filing. This change allows a hedge fund to take actions that impact corporate control. Gantchev, Sevilir and Sivdasani (2019) and Chen et al. (2021) formed matched firms to construct the control group based on a series of characteristics identified under a PSM framework. We adopt an approach more directly addressing the endogeneity and self-selection biases which allows us to perform the analysis on all targets of hedge fund activism for which key financial information is available.

4.1. Probit model of likelihood of being activist target

To identify firms which have a profile similar to that of actual targets and the same propensity to becoming targets as the actual ones we construct a 'predictive' model of activist targets, which allows us to estimate the probability of firms being targets and identify the control firms which have the same propensity as the actual targets. This allows us to match the actual targets to the control firms whose performance is a measure of the counterfactual performance, absent activist intervention. We therefore estimate a probit model of activist targeting using a sample of actual targets and a control sample. Our results and analysis of the likelihood of being targeted by activist investors are presented and discussed in detail in Appendix B. In the following analyses, all three-performance metrics are adjusted for the performance of the corresponding control sample selected using the *nearest neighbour* criterion explained in Appendix B[15].

4.2. Impact of activism on shareholder value and operating performance of targets

Table 4, Panel A provides univariate analyses of campaign outcomes and the announcement period cumulative abnormal returns (CAARs), estimated by the market adjusted return model (Brown and Warner,1985) over window[16]: -10 days to+10 days centred on the campaign announcement date, Day 0 and the window: -2 to +2 days. Irrespective of the campaign outcome, the short terms value gains are highly significant. Interestingly, this positive reaction greets even those campaigns which subsequently prove unsuccessful. However, the CAARs over both windows are almost twice or thrice as large with eventually successful or partially successful campaigns as with the unsuccessful ones. This suggests that investors react positively to the announcements *per se* but also seem to anticipate the fate of the campaigns.

---

[15] We follow the standard procedure of implementing a nearest neighbor matching (NNM) method of treatment-effect estimation where the likelihood that a given non-activist target company will become a target to investor activism is imputed by using an average of the outcomes of similar firms that were activist targets.

[16] CAARs were also estimated by the mean adjusted return model and the CAPM but they were not materially different from those estimated by the market adjusted return model (market index model) and hence we do not report them, but they are available upon request.

Table 4, Panel B shows the buy-and-hold returns (BHARs) over 1-year, 2-year and 3-year periods following the campaigns. We find that, in all the three periods irrespective of campaign outcomes, all campaigns result in significant shareholder value losses relative to the returns generated by Abadie-Imbens (AI) -matched control firms. Partially successful campaigns result in about 16% value losses in the first post-campaign year, but these are sustained over the 2-year and 3-year periods. Successful campaigns generate about 10% value losses. The least value-destructive outcome is unsuccessful with about 7.5% of value erosion. These value losses are significantly different across the three categories. What is however interesting is that the losses are generated in the first year after the campaigns and are not further accentuated. Neither are the initial losses reversed in the second and third years.

Table 4, Panel C reports the return on equity (ROE) performance over the same long terms. Irrespective of campaign outcome, the targets experience significant decline in operating performance in the first year after campaign end. Partially successful campaigns lead to much larger performance declines (-20%) than successful (-6.1%) and unsuccessful ones (-4.8%). Over two years, partially successful campaigns result in 13.3% performance decline, but the other two outcomes result in ROE performance as good as that of the control firms. By the end of the third post-campaign year, however, all three outcomes restore the campaign targets to the same ROE performance as the control firms. Indeed, successful campaigns lead to significant operating performance improvement of 5.7% over the 3-year period. Successful campaign target firms outperform both unsuccessful and partially successful campaign targets. A combined reading of Panels B and C of this table suggests that targets of activists suffer both significant operating and shareholder value losses in the first post-campaign year relative to their benchmark control firms but over the subsequent two years recover. Partially successful campaigns inflict substantially greater performance declines on target firms than successful as well as unsuccessful campaigns.

[Please Insert Table 4 about here]

In Table 5 we compare the performance of specialist activists in terms of CAAR, BHAR and ROE but the sample is limited to successful and partially successful outcomes (we call this the reduced sample). In

Panel A, all three specialists generate much larger announcement period value gains than the non-specialist activists. Over (-10, +10) days, their gains are about 4% compared to 0% for the non-specialist group. *Exclusive* and *Substantial* specialists generate larger positive gains than *Limited* and *Non-specialists* thereby lending support to our H2. In Panel B, all the three specialist activists generate significant value losses relative to their control firms over all three post-campaign periods. The pattern of these losses shows that they are inversely related to the level of specialism of the activists, with the *Exclusive* activists largely outperforming the lesser specialists. The losses from *Limited specialist* interventions are twice those due to the *Exclusive* specialist interventions. Higher levels of activist specialism therefore generate higher value for target firm shareholders, consistent with our hypothesis H3. What is most striking is that *Non-specialists* generate small losses of about 3% compared to losses of about 10% by *Exclusive*, 15% by *Substantial* and 19% by *Limited* specialists. This contrasts with the announcement period value gains in Panel A where the specialists outperform *Non-specialists*. It appears that the initial optimism that greets the interventions by specialist activists is misplaced and not sustained over the long term. In Panel C, *Non-specialists* outperform the specialist activists over all three periods, but *Exclusive specialists* outperform the other specialists, consistent with our hypothesis H4. This analysis suggests that in terms of long-term performance, while *Exclusive specialists* do much better than activists with less specialism, *Non-specialists* generate much stronger and more significant operating performance. This superior performance of *Non-specialist* interventions explains why they also outperform in term of long-term shareholder value in Panel B.

[Please Insert Table 5 about here]

In an untabulated univariate analysis of performance by campaign themes with the sample limited as in Table 5 we find that *BoardGov, FinStra* and *BusStra* generate about 2 to 3% over (-2, +2) days compared to 0.3% by *OtherGov*. *M & A* theme evokes the most positive reaction with 4.4% over (-2, +2) days and 6.9% over (-10, +10) days. Over one to three years post-campaign, *BoardGov, FinStra,* M & A and *BusStra* lead to significant value losses. M & A generates smaller value losses (about -10%) over all three periods than the other three themes (about -11% to -18%). The best long term value performance results from

OtherGov which generates much smaller losses of about 5% over all three periods relative to the control firms. This long-term value performance contrasts with the short-term small value gains at announcement time, implying that the implications of the thematic changes advocated by activists, reflected in shareholder value gains immediately following activist campaign launches, are not fully realised over the longer term.

In terms of operating performance, in the first year, *BoardGov*, *FinStra* and *M & A* lead to a large decline in ROE relative to control firms (about -8% to -16%). *OtherGov* results in a much smaller but significant decline (-3%), but *BusStra* causes no performance decline at all in any of the three periods. Such decline with other themes is however moderated to the performance level of the control firms in 2- and 3-year periods pointing to recovery of operating performance over 2 and 3 years. *OtherGov,* most preferred by *Non-specialists,* (as indicated in Table3, Panel B), is the best performer in terms of both BHAR and ROE. It thus appears that *Non-specialists'* activism approach as well as their choice of campaign theme are the most successful in enhancing long term target performance.

Table 6 reports the regression models of the likelihood of campaign success and the contribution of activist specialists to that success. Relative to the base case of the *Non-specialist*, the specialist activists make the success of the campaign significantly more likely. Further, the impact of *Exclusive specialists* is much stronger than that of the lesser specialists. Our first hypothesis H1, which posits that the greater the specialism of an activist investor, the higher is the likelihood of its campaign success is strongly confirmed. The Wolf Pack tactic does not help win campaigns but actually makes campaign win less likely. Indeed, we find that greater use of WPs detracts from the chances of success of specialists, with the most frequent user i.e. *Limited specialists* being the least successful (see Table 3, Panel C above). We also find that the M & A theme hinders a successful campaign due perhaps to resistance from the target managers and lack of support from long term *Non-specialist* activists (see Table 3, Panel B). The *Board Governance* theme which seeks board seats or other board composition changes make success more likely since this theme has a wide cross-activist support (see Table 3, Panels B). Closely Held shares, a proxy for strength of insider control, strongly and significantly erode the chances of campaign win[17]. Smaller targets (proxied by low MV) are more likely to help activists win their campaigns.

[Please Insert Table 6 about here]

Table 7, Panel A, presents the impact of campaign outcome on CAAR (-2, +2)[18]. *Partially Successful* campaigns evoke significantly positive reactions from the investors much larger than *Unsuccessful* campaigns, the base case. Smaller targets and targets with low market valuation (proxied by MV and MTBV respectively) generate larger value gains since they have a higher potential for value creation from a successful restructuring following activist campaigns. Wolf Packs have no influence on CAARs, consistent with their negative impact on campaign outcome (see Table 6). Table 7, Panel B, presents the impact of campaign outcome on BHAR over 1-year, 2-years and 3-years. Over all these periods *Successful* campaigns have no impact on BHAR relative to the *Unsuccessful, the base case,* but *Partially successful* campaigns cause significant value erosion. WP involvement generates significant value losses. Larger targets as well as targets whose pre-campaign operating cash flow was high contribute significantly to value gains. Over 3 years, insider control (proxied by Closely Held Shares) significantly diminishes value gains. In Table 7, Panel C, we find that *Partially Successful* campaigns have a significant negative impact on ROE the operating performance metric over one-year post-campaign whereas successful campaigns enhance operating performance significantly over 3-years. Wolf Packs have a significant positive impact over 2- and 3- years, suggesting some fruitful contribution from long term shareholder coordination. While larger targets contribute positively to improved ROE over all three periods, insider control diminishes that performance. Other pre-campaign characteristics such as LTDA, Cash_TA and low market valuation and low pre-campaign operating cash flow, EBITDA/TA, also significantly impact and raise post-campaign operating performance. Overall, we find that pre-campaign characteristics of target firms have a stronger

[17] This negative effect of insider control on activism is highlighted in Kabi Kastiel, *Against All Odds: Hedge Fund Activism in Controlled Companies*, Columbia Business Law Review, 60, 2016.
[18] The CAARs from the longer event window (-10,+10) were not materially different and hence we decided to report only those observed in the shorter event window. They are also available upon request.

impact on post-campaign BHAR and ROE performance than the campaign success or failure. In particular, partial campaign success detracts from long-term operating performance as well as long-term shareholder value whereas full success contributes to enhanced long term operating performance. Thus, given similar levels of pre-campaign characteristics, targets of failed campaigns may do as well as targets of successful campaign and may do even better than the targets of partially successful campaigns. This suggests that partially successful campaigns reflect messy compromises between target managers and activists and represent the worst of both worlds.

Wolf Pack is a tactic that contributes to significant operating performance gains over two and three years. This suggests that the shareholder coordination implied by WP endures beyond the campaigns and that WP has purpose and significance beyond being a limited campaign tactic. Insider control can detract from long term post-campaign value creation and operating performance irrespective of campaign outcome, as evidenced in both panels, B and C. This may explain why even targets of failed campaigns perform as well as targets of successful ones (see discussion of Table 7, Panels B and C). One plausible reason for this performance equality is probably that, in post-successful campaign targets, insiders play a disruptive role, but, in post-failed campaign targets, they play a more supportive role.

[Please Insert Table 7 about here]

Table 8 presents the impact of activist specialism on the shareholder value gains and operating performance in a regression model that is based on only the successful and partially successful samples, while controlling for the campaign themes and a range of campaign and target characteristics. In Panel A, all the specialist activists earn about 2% to 3% CAAR more than *Non-specialists,* the base case. Both *Exclusive* and *Substantial* specialists generate more short-term value than *Limited* specialists, consistent with our hypothesis H2. The M & A theme also has a significant impact of another 2.5%. None of the pre-campaign characteristics has any impact. In terms of BHAR in Panel B, *Exclusive specialists* significantly underperform *Non-specialists* over two post-campaign years but claw back to level their performance with the latter over the 3-year period. *Exclusive specialists* also significantly and substantially outperform lesser specialists over all three periods, pointing to the benefits of activist specialism to target company performance. This is consistent with our hypothesis H3 that the greater the activist specialism the larger will be the value added except that we find in our sample the superior contribution of greater specialism is evidenced by the superior ability to mitigate value loss associated with lesser specialists. The *Business Strategy* and *Board Governance* themes impact negatively on long term value gains over two years. Large target firms enhance BHARs over three years. Insider control has a negative but significant impact on BHAR over three years testifying to its constraining impact following the activist campaign. High pre-campaign operating cash flow enables targets to enhance their post-campaign performance significantly.

[Please Insert Table 8 about here]

In Panel C of Table 8, we find that neither activist specialism nor the campaign themes impact on operating performance. WPs enhance operating performance significantly as in Table 7, Panel C. Insider control impacts negatively on operating performance especially strongly over the 3-year period. The lower the pre-campaign operating cash flow (EBITDA/TA) the higher is the post-campaign ROE whereas targets' cash resources, Cash_TA, improves it over three years. This means that fundamental firm characteristics dominate the post-campaign operating performance more than the identity of the activists. Once again, we find strong evidence of the long-term benefit from shareholder coordination evidenced by WP for at least operating performance improvement. Insider control has a large and significant detrimental effect on ROE performance, again testifying to the ability of insiders to blunt the impact of activist campaigns.

Reviewing the role of campaign themes, M & A has only a brief, large and positive impact on shareholder value at announcement time but not much beyond campaign success. Other themes e.g. *BoardGov* and *BusStra*, counterintuitively, have a marginally significant but detrimental effect over the long-term shareholder value. Activist specialism destroys rather than creates long-term shareholder value when compared to *Non-specialists*. However, among the three specialists, this value destruction is smaller, the higher the level of specialism. Thus, in evaluating the impact of activism, the analysis has to be granular and allow for the gradation of specialism and expertise and should not lump all activists into an amorphous category irrespective of their level of specialism.

To summarize, our results provide empirical evidence supporting fully or partly the three (H1 to H3) out of the four hypotheses concerning the impact of activist specialism which we set up in Section 2.5. More specifically, we establish full support for H1 that the greater the activist specialism of an investor, the higher is the probability of a successful campaign. We find support for hypothesis H2 that the greater the activist specialism of an investor, the higher is the short-term value enhancement of the target firm value in all, as well as successful campaigns. The more specialised activists generate larger announcement period value gains than lesser specialists as well as non-specialists. Our hypothesis H3 is supported in a curious way since, following successful and partially successful campaigns, while all three specialists generate significant value losses over the long term, the *Exclusive specialists* significantly outperform the other two and the extent of value losses is inverse to the degree of specialism. Thus, high specialism helps mitigate the value losses to target shareholders. But even the best performing *Exclusive specialists* underperform *Non-specialists!* In terms of long-term operating performance, our hypothesis H4 is not supported since there is no significant impact attributable to specialist expertise. They all perform only as well as the *Non-specialists*.

Overall, our findings establish an important role for activist investors that have high specialism in activism not only in winning their campaigns but also in adding to target shareholder value in the short-term and in considerably mitigating the negative impact of activist campaigns over the long term. Our results are in general agreement with the majority of previous empirical research about the strong monitoring role of well-informed activist investors (e.g. Sims, 2003; Chen et al., 2007; Boyson et al. 2017; Ward et al. 2019; Wiersema et al, 2020 and Swanson et al. 2022; Boyson et al, 2022). Our results are not strictly comparable to the several other studies reviewed in Section 2 above which report positive short term and long-term performance improvement from HF activism because we differentiate among activists on the basis of their specialism rather than on the binary e.g. between HFs and institutional investors. Our findings about the impact of the campaign tactic of Wolf Packs are in line with Becht et al., 2017 and Gonzalez and Calluzo, 2018 regarding their positive impact on long-term performance but in disagreement with the study of Becht et al. (2017) regarding the positive effect on campaign outcome.

5. Discussion, Conclusions and Future Research

Shareholder activism assumes a range of forms depending on the mode of engagement with target firms i.e. overt or discreet, style of activism, the campaign objectives etc. Different activists also have different incentives to become active or aggressively so, depending on whether they hold large well diversified portfolios or concentrate on a few potential activism targets. Some activists run funds with activism as their core asset management and value creation strategy and have developed high degrees of specialist expertise to run activist campaigns, marked by excellent infrastructure, trained staff, an ecosystem that can be marshalled during campaigns etc. Unlike prior research, we have relied on the stratification of activists based on their expertise and specialism in activism which in turn derive from the level of their portfolio dedication to activism as a value creation strategy. Our results show that this stratification provides new insights into the effectiveness of activism.

Our overall results provide evidence that high levels of activist specialism contribute to higher likelihood of activism success, stronger and more positive investor reaction at the time of campaign announcement and higher long term value creation. An important take away is that in spite of this superior performance to lesser specialist, the most specialised activists i.e. *Exclusive specialists* under-perform in terms of long term value added the *Non-specialist* activists and only just as well as the latter in terms of long term operating performance. Another take away is that without high specialism, the activist investors will seriously underperform even the *Non-specialists.* We find that there is significant value to activist specialism, but activism should be avoided by investors with insufficient specialist expertise and inappropriate mixture of investment philosophies. It is not for the dilettantes who want to dabble in activism. A third takeaway is that campaign success by even specialised activists does not open the doors to *El Dorado* and that failed campaigns perform as well as the successful ones and certainly much better than the partially successful ones. We also find that *Non-specialists* with their own bags of tricks and strengths can beat specialists, especially limited specialists, in the activism stakes.

Our study contributes to the literature on the impact of investor type on the market value of target firms, by digging further into the various types of activist investors and their activist expertise and specialism and examining their impact on campaign success, target operating performance and shareholder returns. Unlike the prior studies which use broad-brush classifications of activists and fail to give due importance to specialism as a critical defining attribute, we employ a comprehensive classification of specialist activist types. Such a granular analysis allows us to judge which type of activism is effective in winning campaigns and improving corporate performance and shareholder wealth. Our paper brings new insights in these areas of activism and corporate governance to the extant literature.

For future research

The generally weak performance of specialists relative to non-specialists raises some intriguing questions. How come non-specialists are able to perform as well as, if not better than, the specialists? We need to understand the strengths that non-specialists have, vis-à-vis target managements, in bringing about change – their large shareholding and voting rights, deep pockets in subscribing to new capital requirements of target firms, ability to coordinate with other larger institutional investors, their capacity to deny specialist activist wins, quiet persuasion etc. Indeed, the high failure rate of activist campaigns in our sample suggests that institutional investors may have played an obstructive role and in support of target managements. (see Afsharipour and Gelter, 2020). These issues merit a further, detailed empirical investigation.

References

Abadie, A. & Imbens, G. (2006). Large Sample Properties of Matching Estimators for Average Treatment Effects. *Econometrica*, 75, 235–267. https://doi.org/10.1111/j.1468-0262.2006.00655.x

Afsharipour, A. & Gelter, M. (2020). Research Handbook on Comparative Corporate Governance: Introduction. Law Working Paper N° 552/2020, University of California. https://www.ecgi.global/sites/default/files/working_papers/documents/afsharipourgelterfinal.pdf

Appel,I., Gormley, T. & Donald B. Keim, D. (2016). Passive investors, not passive owners, *Journal of Financial Economics*, 121 (1) 111-14. https://doi.org/10.1016/j.jfineco.2016.03.003.

Appel, I., Gormley, T. & Keim, D. (2019). Standing on the shoulders of giants: The Effect of Passive Investors on Activism. *Review of Financial Studies* .32 (7), 2720-2774. https://doi.org/10.1093/rfs/hhy106

Barber, B. & Lyon, J. (1997). Detecting Long-run Abnormal Stock Returns: The empirical power and specification of test statistics. *Journal of Financial Economics*, 43, 341-72. https://doi.org/10.1016/S0304-405X(96)00890-2

Bebchuk, L., Brav, A. & Jiang, W. (2015). The Long-term Effects of Hedge Fund Activism. *Columbia Law Review*, 115, 1085-1156. DOI 10.3386/w21227

Bebchuk, L.A., Cohen, A. & Hirst, S. (2017). The agency problems of institutional investors. *Journal of Economic Perspectives*, 31, 89-102. https://www.aeaweb.org/articles?id=10.1257/jep.31.3.89

Bebchuk, L. & Hirst, S. (2019). Index Funds and the Future of Corporate Governance: Theory, Evidence and Policy. *Columbia Law Review,* 119, 2029-2146. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3282794#

Becht, M..,. Franks, J. Grant, J. & Wagner, H. (2017). The Returns to Hedge Fund Activism: An International Study, *Review of Financial Studies*, 30 (9), 2933-2971. https://doi.org/10.1093/rfs/hhx048

Becht, M., Franks, J. & Grant, J. (2010). Hedge Fund Activism in Europe, *CERP Discussion Paper* No. 10507. http://dx.doi.org/10.2139/ssrn.1616340

Becht, M., Franks, J., Mayer, C. & Rossi, S. (2009). Returns to Shareholder Activism: Evidence from a Clinical Study of the Hermes UK Focus Fund, *Review of Financial Studies*, 22, 3093-3129. https://doi.org/10.1093/rfs/hhn054

Ben Arfa, M., Ammari, A. and Boussada, R. (2020). New evidence on value creation through HF activism: A qualitative comparative analysis. *Strategic Change*, 29 (6), .681-690. https://doi.org/10.1002/jsc.2373

Bessler, W., Drobetz, W. &a Holler, J. (2015). The Returns to Hedge Fund Investments in Germany, *European Financial Management*, 21 (1), 106-147. https://doi.org/10.1111/eufm.12004

Boyson, N.M. & Mooradian, R.M. (2011). Corporate governance and hedge fund activism. *Review of Derivatives Research*, 14, 169-204. DOI 10.1007/s11147-011-9065-6

Boyson, N.M. & Pichler, P. (2019). Hostile resistance to Hedge Fund activism. *Review of Financial Studies*, 32 (2), 771-817. https://doi.org/10.1093/rfs/hhy058

Boyson, N. M., Gantchev, N., and Shivdasani, A. (2017). Activism mergers. *Journal of Financial Economics*, 126(1), 54–73. https://doi.org/10.1016/j.jfineco.2017.06.008

Boyson, N.M., L. Ma and R M Mooradian (2022), How does past experience impact hedge fund activism?, *Journal of Financial and Quantitative Analysis*, 57 (4), 1279-1312. https://doi.org/10.1017/S0022109021000375

Brav, A., Jiang, W., Partnoy, F. & Thomas, R. (2008). Hedge Fund Activism, Corporate Governance, and Firm Performance. *The Journal of Finance*, 63, 1729-1775. https://doi.org/10.1111/j.1540-6261.2008.01373.x

Brav, A., Jiang, W. & Kim, H. (2015) The Real Effects of Hedge Fund Activism: Productivity, Asset Allocation, and Labor Outcomes. *The Review of Financial Studies*, 28 (10), 2723-2769. https://doi.org/10.1093/rfs/hhv037

Brav, A., Jiang, W., Ma, S., & Tian, X., 2018, How Does Hedge Fund Activism Reshape Corporate Innovation? *Journal of Financial Economics*, 130 (2), 237-264. https://doi.org/10.1016/j.jfineco.2018.06.012

Brav, A., Dasgupta, A. and Mathews, R. (2021). Wolf pack activism. *Management Science*, 68 (2), 5557-6354. https://doi.org/10.1287/mnsc.2021.4131

Brown, S. & Warner, J. (1985). Using Daily Stock Returns: The Case of Event Studies, *Journal of Financial Economics*, 14, 3-31. https://doi.org/10.1016/0304-405X(85)90042-X

Coffee, J.C. & Palia, D. (2016). The wolf at the door: The impact of Hedge Fund Activism in Corporate Governance, *Annals of Corporate Governance*, 1 (1), 1-94. http://dx.doi.org/10.1561/109.00000003

Colak, G., & Whited, T. (2007). Spin-offs, Divestitures, and Conglomerate Investment., *The Review of Financial Studies*, 20 (3), 557-595. https://doi.org/10.1093/rfs/hhl022

Chen, X., Harford, J. & Li., K. (2007). Monitoring: Which institutions matter. *Journal of Financial Economics*, 86 (2), 279-305. https://doi.org/10.1016/j.jfineco.2006.09.005

Chen, G., Meyer-Doyle, P., & Shi, W. (2021). Hedge fund investor activism and human capital loss. *Strategic Management Journal*, 42 (12), 2328-2354. https://doi.org/10.1002/smj.3257

Clifford, C. (2008). Value creation or destruction? Hedge funds as shareholder activists. *Journal of Corporate Finance,* 14, 323–36. https://doi.org/10.1016/j.jcorpfin.2008.04.007

Credit Suisse. (2019). Shareholder activism: an evolving challenge. *Fourth Quarter Corporate Insights*.

Dehejia, R., & Wahba, S., (2002). Propensity Score-Matching Methods for Nonexperimental Causal Studies. *Review of Economics and Statistics*, 84, 151–161. https://doi.org/10.1162/003465302317331982

Denes, M.R., Karpoff, J.M. & McWilliams, V.B. (2017). Thirty years of shareholder activism: A survey of empirical research. *Journal of Corporate Finance,* 44, 405-424. https://doi.org/10.1016/j.jcorpfin.2016.03.005

Dimson, E., Karakas, O. & Li, X. (2015). Active Ownership. The Review of Financial Studies, 28, (12), 3225–3268. https://doi.org/10.1093/rfs/hhv044

Fich, E.M., Harford, H., & Tran, A.L. (2015). Motivated monitors: The importance of institutional investors portfolio weights., *Journal of Financial Economics*, 118, 21-48. https://doi.org/10.1016/j.jfineco.2015.06.014

Gantchev, N. (2013). The Costs of Shareholder Activism: Evidence from a Sequential Decision Model. *Journal of Financial Economics*, 107, 610-631. https://doi.org/10.1016/j.jfineco.2012.09.007

Greenwood, R., & Schor, M. (2009). Investor Activism and Takeovers., *Journal of Financial Economics*, 92, 362-375. https://doi.org/10.1016/j.jfineco.2008.05.005

Gantchev, N., Gredil, O., & Jotikasthira, C. (2019). Governance under the sun: Spill-over effects of HF activism., *Review of Finance*, 23 (6), 1031-1068. https://doi.org/10.1093/rof/rfy035

Gantchev, N., Sevilir, M. & Shivdasani, A. (2019). Activism and empire building. *Journal of Financial Economics*, 138 (2), 526-548. https://doi.org/10.1016/j.jfineco.2020.06.001

Gilson, R, and Gordon, J.N. (2013). The Agency Costs of Capitalism: Activist Investors and the Revaluation of Governance Rights. *Columbia Law Review*, 113, 863-927. https://scholarship.law.columbia.edu/faculty_scholarship/54/

Gonzalez, T.A. & Calluzzo, P. (2018). Clustered shareholder activism., *Corporate Governance: An International Review*, 27, 210-225. https://doi.org/10.1111/corg.12271

Grossman, S. & Hart, O. (1980). Takeover bids, the free-rider problem and the theory of corporation., *Bell Journal of Economics*, 11, 42-64. https://doi.org/10.2307/3003400

Hamao, Y., Kutsuna, K. & Matos, P. (2010). Investor Activism in Japan: The First 10 Years, *Center on Japanese Economy and Business. Working Paper Series*, No. 289. https://doi.org/10.7916/D8FX7J13

Heckman, James J. 1979. Sample Selection Bias as a Specification Error. *Econometrica*, 47 (1): 153–161.

Jensen, M.C. (1986). Agency Cost of Free Cash Flow, Corporate Finance and Takeovers. *The American Economic* Review, 76 (2), 323-329. https://www.jstor.org/stable/1818789

Jiang, W., Li, T., & Mei, D. (2018). Influencing Control: Jawboning in Risk Arbitrage. *The Journal of Finance*, 73(6), 2635–2675. https://www.jstor.org/stable/26656028

Judge, W.Q., Gaur, A. & Muller-Kahle, M. (2010). Antecedents of Shareholder Activism in Target Firms: Evidence from a Multi-Country Study. *Corporate Governance: An International Review*, 18(4), 258-273. https://doi.org/10.1111/j.1467-8683.2010.00797.x

Kahan, M. & Rock, E.B. (2007). Hedge funds in corporate governance and corporate control., *University of Pennsylvania Law Review*, 155 (5), 1021-1093. https://scholarship.law.upenn.edu/penn_law_review/vol155/iss5/1

Kastiel, K. (2016). Against All Odds: Hedge Fund Activism in Controlled Companies, *Columbia Business Law Review*, 1, 60-153. https://doi.org/10.7916/cblr.v2016i1.1732

Klein, A., & Zur, E. (2009). Entrepreneurial Shareholder Activism: Hedge Funds and Other Private Investors. *Journal of Finance*, 64, 187-229. https://doi.org/10.1111/j.1540-6261.2008.01432.x

Kumar, R. & O'Hanley, R. (2016). Protecting the Interests of Long-Term Shareholders in Activist Engagements. Harvard Law School Forum. https://corpgov.law.harvard.edu/2016/10/17/protecting-the-interests-of-long-term-shareholders-in-activist-engagements/

Mietzner, M., & Schweizer, D. (2014). Hedge funds versus private equity funds as shareholder activists in Germany—differences in value creation. *Journal of Economics and Finance*, 38(2), 181-208. https://ideas.repec.org/a/spr/jecfin/v38y2014i2p181-208.html

Milano, G and Cryan, J (2015), 'Be your own activist', *Journal of Applied Corporate Finance', vol 27, no 3, 61-69.*

https://doi.org/10.1111/jacf.12129

Mitchell, M. & Stafford, E. (2000). Managerial Decisions and Long-term Stock Price – performance. *Journal of Business*, 73, (3), 287-329. https://doi.org/10.1086/209645

Park, D., & Marchand, T. (2015). The Activist Investor Process Model: Phase One of a Successful Campaign – Identifying a Target. *Journal of Applied Corporate Finance*, 27 (3), 83-87. https://doi.org/10.1111/jacf.12131

Paula, L., Bromilow, C. and Malone, L. PWC (2018). The changing face of shareholder activism. *Harvard Law School Forum*. https://corpgov.law.harvard.edu/2018/02/01/the-changing-face-of-shareholder-activism/

Sims, C.A. (2003). Implications of rational inattention. *Journal of Monetary Economics*, 50 (3), 665-690. https://doi.org/10.1016/S0304-3932(03)00029-1

Swanson, E.P., Young, G.M & Yust, C.G. (2022). Are all activists created equal? The effect of intervention by Hedge Funds and other private activists on long-term shareholder value. *Journal of Corporate Finance*, 72, Article 102144, 1-33. https://doi.org/10.1016/j.jcorpfin.2021.102144

Ward, C., Yin, C. & Zeng, Y. (2019). Motivated monitoring by institutional investors and firm investment efficiency. *European Financial Management*, 26 (2), 348-385. https://doi.org/10.1111/eufm.12232

Wiersema, M., Ahn, A., & Zhang, Y. (2020). Activist hedge fund success: The role of reputation. *Strategic Management Journal*, 41 (13), 2493-2517. https://doi.org/10.1002/smj.3210

Wu, S. & Chung, K. (2022). Hedge Fund Activism and Corporate M&A Decisions. *Management Science*,68 (2), 1378–1403. https://doi.org/10.1287/mnsc.2020.3934

Table 1. Variable Definitions

Name	Definition
Activist Successful	The company has fully satisfied the activist's demands, e.g. activist demanded and received three board seats.[1]
Activist Partially successful	The activist has been somewhat successful in achieving its objective, e.g. the activist received two board seats but had demanded three.[1]
Activist Unsuccessful	The activist has been unsuccessful in achieving its objective, usually following a shareholder vote or a response from the company, that suggests that the activist's demands will not come to fruition.[1]
Exclusive Specialist Activist (Exclusive)	Investors who proactively and systematically identify and target underperforming companies, attempting to enhance shareholder value through the execution of shareholder activism, and for whom activist investments typically form a significant majority of their investment portfolios. We regard this group as one with almost exclusive specialism in activist campaigns. Such activists are typically but not exclusively hedge funds. In Activist Insight this type of investors is called Primary Focus.[1]
Substantial Specialist Activist (Substantial)	Investors who proactively and systematically target underperforming companies as part of an established activist investment strategy. However, they differ from Exclusive Specialists in that activist investments will tend to comprise only a portion of their investment portfolios alongside assets acquired through the employment of other investment strategies. We regard this group as one with substantial specialism in activist campaigns. In Activist Insight this type of investors is called Partial Focus. [1]
Limited Specialist Activist (Limited)	Investors for whom activist investing does not typically comprise a frequently used strategy within their broader investment philosophies. Rather than proactively targeting underperforming companies with the goal of improving shareholder value, these otherwise typically passive shareholders often react instead with demands for change following the underperformance of portfolio companies. We regard this group as one with only limited specialism in activist campaigns. In Activist Insight this type of investors is called Occasional Focus.[1]
Non-Specialist Activist (Non-Specialist)	Investors that have escalated their otherwise typical investment stewardship responsibilities to protect shareholder value. These activists will adopt or otherwise publicly support activist strategies to achieve or maintain the best-in-class ESG characteristics of their portfolio companies. Such activists are typically but not exclusively mutual fund managers who often submit shareholder proposals. We regard this group as one without specialism in activist campaigns. In Activist Insight this type of investors is called Continual Focus. [1]
Board Governance (BoardGov)	Strategy designed to obtain board representation or change the structure and/or the members of the Board of Directors, eliminating staggered board, and separation of the roles of the chairman and CEO.[1]
Business Strategy (BusStr)	Business strategy related change where the activist is challenging the current strategic posture of the firm without proposing any specific strategic alternative.[1]
Financial Strategy (FinStra)	Strategy designed to push for a dividend increase, share buyback or restructuring of the balance sheet of the target firm, equity issuance, excess cash management, opposing equity issuance, recapitalization, restructure debt.[1]
M&A	Strategy designed to push for merger or acquisition to be performed by the campaign target, or for the target company to be acquired or for an M&A deal to be blocked or to amend the terms of an M&A and spin-off/sale of business division.[1]

Name	Definition
Other Governance (OtherGov)	Other types of governance-related demands that do not fall into the Board Governance theme presented above such as adoption of majority vote standard, amendment of bylaws, mitigating lack of/inaccurate information from company, redemption/amendment of poison pill, replacing auditors, succession planning and use of universal ballot along with demands for change to senior executive compensation package of the target firm.[1]
Wolf Pack (WP)	A dummy variable which indicates whether (1) or not (0) multiple activist investors join the campaign at the same time.[1]
Closely Held Shares	Percentage of shares owned by company insiders.[2]
CAAR	Cumulative Average Abnormal Returns estimated by Market Index Model for 2 event windows (-2,+2) and (-10, +10) days around the announcement of the activists' engagement/ campaign at t =0.[2]
BHAR	Buy and Hold Abnormal Returns estimated by the methodology of Barber and Lyon (1997) and Mitchell and Stafford (2000) for over 1-year, 2-year and 3-year periods from the month prior to engagement/ campaign announcement date.[2]
Market Value (MV)	Market capitalization of target company, measured as of the end of the fiscal year prior to the year of activist campaign. Used in the natural logarithm form in regression analysis.[2]
Return on Equity (ROE)	Net income available to common shareholders divided by Common Equity. The ROE of the target company is measured as of the end of the fiscal year prior to the year of activist engagement and also for 1, 2 and 3 years after the given activist engagement.[2]
EBITDA/TA	Earnings before interest, tax, depreciation, and amortization divided by total assets, a measure of operating cash flow and measured as at end of the fiscal year prior to the year of activist engagement (Pre-EBITDA/TA)[2]
Long-term Debt to Total Assets (LTDTA)	The ratio of the long-term Debt to the value of Total Assets measured as of the end of the fiscal year prior to the year of activist engagement[2]
Cash_TA	Measure of the target company's liquidity given by the ratio of cash to total assets as of the end of the fiscal year prior to the year of activist engagement.[2]
Earnings Surprise	Percentage difference between the earning per share outcome for each company relative to analyst consensus estimates. This variable is measured as of the end of the fiscal year prior to the year of activist engagement.[2]
Market to Book Value (MTBV)	The ratio of market capitalisation to book value of equity of the target company. This variable is measured as of the end of the fiscal year prior to the year of activist engagement.[2]
Price to EBITDA	The ratio of price to operating cash flow. This variable is measured as of the end of the fiscal year prior to the year of activist engagement.[2]
Forward P/E ratio	The forward price earnings ratio measured as of the end of the fiscal year prior to the year of activist engagement.[2]
Undervaluation	The difference between each company's share price and the broker target price as of the end of the most recent year prior to the activist engagement. [2]
Return on Invested Capital (ROIC)	Return on capital employed as of one year before the activist campaign.[2] This variable is measured as the Net Operating Profit after Tax (NOPAT) divided by the average net operating assets of the given company measured as of the end of the fiscal year prior to the engagement.
R&D_Sales	Ratio of research and development expense to sales, measured as of the end of the fiscal year prior to the year of activist campaign.[2]
Turnover	Measured as share volume divided by adjusted shares outstanding. Measured as of the most recent fiscal year prior to the engagement. [2]
Div_yield	The ratio of dividend per share to price per share. This variable is measured as of the end of the fiscal year prior to the year of activist engagement.[2]
NDebt_MCap	The ratio of net debt to market capitalisation. This variable is measured as of the end of the fiscal year prior to the year of activist engagement. [2]
Total Return (3-year)	The three-year growth in the total returns index for each company before the activist's engagement.[2]

Sales growth (3-year)	This variable is measured as the Cumulative Average Growth Rate (CAGR) in sales of the target company from three fiscal years to one fiscal year prior to the year of activist engagement.
Capex_sales	This variable is calculated as the ratio of Capital expenditures to sales of the target company as of the end of the fiscal year prior to the year of activist engagement
Notes: [1] Source: Activist Insight, [2] Source: Refinitiv EIKON	

Table 2. Sample distribution.

Panel A: Activist Engagement by year

Year of Announcement	Number of Demands	Percent
2005	1	0.03
2006	3	0.08
2007	1	0.03
2008	4	0.10
2009	13	0.33
2010	103	2.64
2011	108	2.76
2012	208	5.32
2013	289	7.40
2014	367	9.39
2015	494	12.64
2016	477	12.21
2017	463	11.85
2018	431	11.03
2019	460	11.77
2020	439	11.23
2021	47	1.20
Total	**3,908**	**100.0%**

Notes: The sample covers the period 2005 - 2021. The sample of activist investor engagements is obtained from the Thomson One Banker Refinitiv and Activist Insight databases.

Panel B: Activist Engagement by industry

Industry of Target	Number of Demands	Percent
Consumer Goods and Services	1,011	25.86
Financial Services	479	12.25
Real Estate	98	2.51
Utilities	120	3.07
Basic Materials	204	5.22
Industrials	545	13.95
Energy	187	4.79
Telecommunications	130	3.33
Technology	663	16.97
Healthcare	471	12.05
Total	**3,908**	**100.00%**

Table 3. Sample Descriptives of Campaign Characteristics

Panel A: Outcome and Campaign theme

Campaign Outcome	Number of Observations	Percentage
Unsuccessful	1,965	50.28
Successful	1,674	42.84
Partially Successful	269	6.88
Total	**3,908**	**100%**

Panel B: Activist Specialism and Campaign Theme

Type of Specialist	Financial Strategy (FinStra)	Board Governance (BoardGov)	Business Strategy (BusStr)	M&A	Other Governance (OtherGov)	Total
Non-specialist	16	378	3	17	1,209	1,623
%	*5%*	*24.5%*	*2%*	*4%*	*85%*	*41%*
Limited Specialist	62	322	41	114	68	607
%	*21%*	*21%*	*21%*	*25%*	*5%*	*16%*
Substantial Specialist	124	460	79	187	82	932
%	*42%*	*30%*	*41%*	*41%*	*6%*	*24%*
Exclusive Specialist	95	378	69	138	66	746
%	*32%*	*24.5%*	*36%*	*30%*	*5%*	*19%*
Grand Total	**297**	**1,538**	**192**	**456**	**1,425**	**3,908**
Total (%)	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*

Notes: The sample covers the period 2005 - 2021. The sample of activist investor engagements is obtained from the Thomson One Banker Refinitiv and Activist Insight databases.

Panel C: Activism Specialist Type with Wolf Pack (WP) tactic

Activism Specialist	Number of cases	Number with WP tactic	% with WP tactic
Non-specialist	1,623	828	51
Limited	607	425	70
Substantial	932	627	67
Exclusive	746	453	61
Total	**3,908**	**2,333**	**60%**

Panel D: Outcome by Activist Specialism

Activist Specialism	Partially Successful	Successful	Unsuccessful	Total
Non-specialist	6	419	1,198	1,623
%	*2%*	*25%*	*61%*	*41.5%*
Limited	70	300	237	607
%	*26%*	*18%*	*12%*	*15.5%*
Substantial	109	488	335	932
%	*41%*	*29%*	*17%*	*24%*
Exclusive	84	467	195	746
%	*31%*	*28%*	*10%*	*19%*
Total	**269**	**1,674**	**1,965**	**3,908**
Total (%)	*100%*	*100%*	*100%*	*100%*

Notes: The sample covers the period 2005 - 2021. The sample of activist investor engagements is obtained from the Thomson One Banker Refinitiv and Activist Insight databases.

Table 4. Univariate Analysis of Impact of Campaign Outcome on Performance

Panel A: On Announcement Period Returns, CAAR (market returns adjusted model)

	(-2, +2) days	(-10, +10) days
Successful	**0.018*** **	**0.027*** **
t-stat	*(10.55)*	*(9.24)*
Partially Successful	**0.038*** **	**0.045*** **
t-stat	*(7.56)*	*(5.70)*
Unsuccessful	**0.011*** **	**0.018*** **
t-stat	*(7.94)*	*(7.93)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**22.54***** for CAAR (-2, +2) and **8.57***** for CAAR (-10,+10)

Panel B: Impact on Long Term Shareholder Returns

	BHAR M-1 to M+12	BHAR M-1 to M+24	BHAR M-1 to M+36
Successful	**-0.105*** **	**-0.104*** **	**-0.108*** **
t-stat	*(-14.44)*	*(-15.64)*	*(-16.74)*
Partially Successful	**-0.154*** **	**-0.159*** **	**-0.158*****
t-stat	*(-8.00)*	*(-9.09)*	*(-9.05)*
Unsuccessful	**-0.076*** **	**-0.075*** **	**-0.075*** **
t-stat	*(-13.84)*	*(-15.05)*	*(-16.23)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**12.27*** ** (BHAR M-1 to M+12); **16.45*** ** (BHAR M-1 to M+24); **19.21*** ** (BHAR M-1 to M+36)

Panel C: Impact on Operating Performance (Return on Equity, ROE)

	ROE M-1 to M+12	ROE M-1 to M+24	ROE M-1 to M+36
Successful	**-0.061*****	-0.011	**0.057*** **
t-stat	*(-3.67)*	*(-0.48)*	*(2.62)*
Partially Successful	**-0.200*****	**-0.133***	-0.026
t-stat	*(-3.56)*	*(-1.70)*	*(-0.42)*
Unsuccessful	**-0.048*** **	0.031	0.021
t-stat	*(-3.48)*	*(1.63)*	*(1.03)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**5.92*** ** (ROE M-1 to M+12)**; 4.00*** ** (ROE M-1 to M+24)**;** 1.28 (ROE M-1 to M+36)

Table 5. Univariate Analysis of the Impact of Investor Specialism on Performance-Reduced Sample
Panel A: Impact on Announcement Period Returns CAAR (market returns adjusted model)

	(-2,+2) days	(10, +10) days
Exclusive	**0.025*** **	**0.040*** **
t-stat	*(9.38)*	*(9.09)*
Substantial	**0.031*** **	**0.043*** **
t-stat	*(11.63)*	*(9.91)*
Limited	**0.023*** **	**0.031*** **
t-stat	*(6.61)*	*(5.27)*
Non-specialist	0.000	0.003
t-stat	*(0.40)*	*(1.50)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**54.12*** ** CAAR (-2,+2) and **35.79*** ** for CAAR (-10,+10)

Panel B: Impact on Long Term Shareholder Returns-Reduced Sample

	BHAR M-1 to M+12	BHAR M-1 to M+24	BHAR M-1 to M+36
Exclusive	**-0.098*** **	**-0.095*** **	**-0.095*** **
t-stat	*(-10.07)*	*(-10.63)*	*(-11.73)*
Substantial	**-0.141*** **	**-0.146*** **	**-0.145*** ***
t-stat	*(-14.49)*	*(*-16.27*)*	*(-17.03)*
Limited	**-0.201*** **	**-0.174*** **	**-0.185*** **
t-stat	*(-15.69)*	*(-13.43)*	*(-13.96)*
Non-specialist	**-0.026*** **	**-0.032*** **	**-0.033*** **
t-stat	*(-4.68)*	*(-7.04)*	*(-7.88)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**77.66*** ** (BHAR M-1 to M+12); **71.96*** (**BHAR M-1 to M+24); **84.87*** ** (BHAR M-1 to M+36)

Panel C: Impact on Operating Performance, ROE-Reduced Sample

	ROE M-1 to M+12	ROE M-1 to M+24	ROE M-1 to M+36
Exclusive	**-0.074*** **	0.009	0.045
t-stat	*(-2.96)*	*(0.28)*	*(1.52)*
Substantial	**-0.085*** **	**-0.065***	-0.035
t-stat	*(-3.48)*	*(-1.86)*	*(-1.25)*
Limited	**-0.170*** **	-0.035	-0.030
t-stat	*(-4.22)*	*(-0.72)*	*(-0.54)*
Non-specialist	-0.019	**0.040** **	**0.071*** **
t-stat	*(-1.47)*	*(2.00)*	*(3.36)*

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. T-stats are reported in parentheses. Anova F-stat=**7.52*** ** (ROE M-1 to M+12); **2.78** ** (ROE M-1 to M+24); **3.27****(ROE M-1 to M+36)

Table 6: Impact of Activist Specialism on Campaign Success.
In the model the omitted variable is Non-Specialist Activist from the Activist Specialism categories.

Specialism, Theme & Controls	**Model (1) Activist Success**	**Model (2) Activist Success**
Exclusive	**0.991*** **	**1.073*** **
	(12.212)	(11.371)
Substantial	**0.632*** **	**0.714*** **
	(7.955)	(7.725)
Limited	**0.532*** **	**0.627*** **
	(5.793)	(6.052)
Board Governance (BoardGov)		**0.170** **
		(2.564)
Financial Strategy (FinStra)		0.035
		(0.297)
Business Strategy (BusStr)		0.143
		(1.122)
M&A		**-0.552*** **
		(-5.600)
WP	**-0.151*** **	**-0.174*** **
	(-3.838)	(-4.356)
LTDA	0.148	0.132
	(1.213)	(1.053)
Cash_TA	0.018	-0.024
	(0.119)	(-0.152)
MV	**-0.117*** **	**-0.112*** **
	(-8.163)	(-7.684)
MTBV	-0.000	-0.000
	(-0.036)	(-0.012)
Pre-EBITDA/TA	-0.103	-0.082
	(-1.061)	(-0.949)
Closely Held Shares	**-1.471*** **	**-1.410*** **
	(-7.181)	(-6.539)
Constant	**1.086*** **	**0.906*** **
	(3.950)	(3.240)
Observations	3,195	3,195
LR x^2	**648.02*** **	**687.54*****

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.

Table 7. Impact of Campaign Outcome on Target Firm Performance

Panel A. **On Announcement Period Shareholder Returns** (Market Returns Adjusted Model)
Unsuccessful Outcome is the omitted variable in the model.

Outcome & Controls	**CAAR (Day-2, Day+2)**
Successful	0.004
	(1.448)
Partially Successful	**0.023*** **
	(3.747)
WP	0.002
	(1.163)
LTDA	-0.003
	(-0.315)
Cash_TA	0.001
	(0.134)
MV	**-0.003*** **
	(-5.349)
MTBV	**-0.000*** **
	(-2.781)
Pre-EBITDA/TA	**0.014***
	(1.673)
Closely Held Shares	0.011
	(1.005)
Constant	**0.026** **
	(2.321)
Observations	3,438
R-squared	0.043

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.

Table 7. Impact of Campaign Outcome on Target Firm Performance
Panel B. On Long term Shareholder Returns
The case of Unsuccessful is the omitted variable in the regression models.

Outcome & Controls	BHAR (Month-1 to Month+12)	BHAR (Month-1 to Month+24)	BHAR (Month-1 to Month+36)
Successful	-0.016	-0.013	-0.011
	(-1.630)	(-1.436)	(-1.292)
Partially Successful	**-0.049****	**-0.049****	**-0.048*****
	(-2.381)	(-2.573)	(-2.673)
Wolf Pack	**-0.030*****	**-0.017*****	**-0.011***
	(-4.852)	(-2.828)	(-1.801)
Long-term Debt to Total Assets	-0.023	-0.014	-0.014
	(-1.057)	(-0.630)	(-0.684)
Cash_TA	0.010	0.030	-0.047
	(0.306)	(0.949)	(-1.524)
Natural Log of MV	**0.015*****	**0.015*****	**0.019*****
	(5.918)	(5.504)	(7.543)
MTBV	0.000	-0.000	-0.000
	(1.575)	(-0.132)	(-0.491)
Pre-EBITDA/TA	**0.178*****	**0.152****	0.103
	(2.828)	(2.068)	(1.469)
Closely Held Shares	-0.055	-0.048	**-0.061***
	(-1.360)	(-1.335)	(-1.823)
Constant	-0.033	-0.045	-0.044
	(-0.833)	(-1.223)	(-1.325)
Observations	3,435	3,435	3,397
R-squared	0.145	0.148	0.148

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.

Table 7. Impact of Campaign Outcome on Target Firm Performance

Panel C. **On Long-term accounting performance (ROE)**
The case of Unsuccessful is the omitted variable in the models.

Outcome & Controls	**ROE (Year-1 to Year +1)**	**ROE (Year-1 to Year+2)**	**ROE (Year-1 to Year +3)**
Successful	0.003	-0.013	**0.055***
	(0.129)	(-0.370)	(1.714)
Partially Successful	**-0.137****	-0.134	0.010
	(-2.371)	(-1.493)	(0.159)
WP	0.016	**0.051****	**0.037***
	(0.954)	(2.146)	(1.659)
LTDA	-0.085	**0.260***	**0.276****
	(-0.819)	(1.711)	(2.493)
Cash_TA	0.154	-0.076	**0.297****
	(1.515)	(-0.540)	(2.271)
MV	**0.021*****	**0.025*****	**0.028*****
	(4.050)	(2.964)	(3.858)
MTBV	-0.001	-0.002	**-0.003*****
	(-0.375)	(-0.687)	(-3.392)
Pre-EBITDA/TA	-0.069	0.030	**-0.349****
	(-0.517)	(0.144)	(-1.982)
Closely Held Shares	**-0.258***	0.245	**-0.332*****
	(-1.905)	(1.242)	(-2.693)
Constant	0.136	-0.021	-0.029
	(1.224)	(-0.129)	(-0.217)
Observations	2,501	2,054	1,641
R-squared	0.081	0.034	0.067

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses**.**

Table 8. Impact of Activist Specialism on Target Firm Performance of target firms

Panel A. On Announcement Period Shareholder Returns (Market Returns Adjusted Model)
The sample is limited to only successful and partial successful campaigns. In the model the omitted variable is Non-Specialist from the Activist Specialism categories and OtherGov in the Theme categories.

Specialism, Theme & Controls	**CAAR (Day-2, Day+2)**
Exclusive	**0.022*** **
	(3.642)
Substantial	**0.027*** **
	(4.060)
Limited	**0.019** **
	(2.374)
Board Governance (BoardGov)	0.002
	(0.422)
Financial Strategy (FinStra)	0.009
	(1.023)
Business Strategy (BusStr)	0.006
	(0.721)
M&A	**0.025*** **
	(2.865)
WP	-0.001
	(-0.313)
LTDA	0.004
	(0.218)
Cash_TA	0.001
	(0.090)
MV	-0.000
	(-0.214)
MTBV	-0.000
	(-1.403)
Pre-EBITDA/TA	0.014
	(1.491)
Closely Held Shares	0.025
	(1.421)
Constant	-0.006
	(-0.403)
Observations	1,657
R-squared	0.072

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.

Table 8. Impact of Activist Specialism on Target Firm Performance

Panel B. **Long term Shareholder Returns**

The sample is limited to only Successful and Partially Successful outcomes. The omitted variable is the Non-Specialist in the Specialist group and the OtherGov in the Themes group.

Specialism, Theme & Controls	**BHAR (Month-1 to Month+12)**	**BHAR (Month-1 to Month+24)**	**BHAR (Month-1 to Month+36)**
Exclusive	**-0.075*** **	**-0.041***	-0.034
	(-2.805)	(-1.805)	(-1.563)
Substantial	**-0.096*** **	**-0.075*** **	**-0.064*** **
	(-3.522)	(-3.272)	(-2.767)
Limited	**-0.154*** **	**-0.101*** **	**-0.090*** **
	(-4.706)	(-3.501)	(-3.111)
Board Governance (BoardGov)	**-0.043***	**-0.036***	-0.026
	(-1.756)	(-1.673)	(-1.189)
Financial Strategy (FinStra)	-0.056	-0.044	-0.029
	(-1.585)	(-1.378)	(-0.858)
Business Strategy (BusStr)	**-0.067***	**-0.062***	-0.036
	(-1.875)	(-1.892)	(-1.064)
M&A	0.021	0.014	0.014
	(0.645)	(0.496)	(0.521)
WP	0.003	0.002	0.002
	(0.250)	(0.231)	(0.197)
LTDA	0.017	-0.012	0.012
	(0.491)	(-0.354)	(0.369)
Cash_TA	-0.009	0.027	-0.061
	(-0.189)	(0.575)	(-1.339)
MV	-0.001	0.005	**0.013*** **
	(-0.324)	(1.134)	(3.394)
MTBV	0.000	-0.000	-0.000
	(1.151)	(-0.109)	(-0.281)
Pre-EBITDA/TA	**0.149*** **	**0.119***	0.073
	(2.599)	(1.791)	(1.173)
Closely Held Shares	-0.092	-0.081	**-0.107***
	(-1.352)	(-1.296)	(-1.825)
Constant	**0.187*** **	**0.087***	0.059
	(3.251)	(1.657)	(1.211)
Observations	1,655	1,655	1,629
R-squared	0.175	0.151	0.154

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.

Table 8. Impact of Activist Specialism on the Target Firm Performance

Panel C. Long-term accounting performance (ROE)
In the models the omitted variable is Non-Specialist from the Activist Specialist categories and OtherGov from the Theme categories. The sample is limited to only Successful and Partially Successful Outcomes.

Specialism, Theme & Controls	**ROE (Year -1 to Year+1)**	**ROE (Year-1 to Year+2)**	**ROE (Year-1 to Year +3)**
Exclusive	-0.065	0.011	-0.001
	(-1.248)	(0.117)	(-0.025)
Substantial	-0.015	-0.111	-0.057
	(-0.259)	(-1.035)	(-1.013)
Limited	-0.119	-0.085	-0.055
	(-1.543)	(-0.685)	(-0.583)
Board Governance (BoardGov)	0.025	-0.009	-0.051
	(0.529)	(-0.117)	(-1.102)
Financial Strategy (FinStra)	0.004	0.009	-0.076
	(0.054)	(0.106)	(-1.214)
Business Strategy (BusStr)	0.064	-0.037	-0.088
	(0.732)	(-0.301)	(-0.772)
M&A	0.013	0.171	0.016
	(0.160)	(1.312)	(0.134)
WP	0.035	**0.100****	**0.083****
	(1.096)	(2.316)	(2.415)
LTDA	-0.089	0.147	**0.273***
	(-0.577)	(0.586)	(1.948)
Cash_TA	0.120	-0.235	**0.355***
	(0.731)	(-1.163)	(1.721)
MV	0.006	0.020	0.019
	(0.615)	(1.335)	(1.481)
MTBV	-0.003	0.003	-0.000
	(-0.239)	(0.379)	(-0.042)
Pre-EBITDA/TA	-0.065	0.116	**-0.566*****
	(-0.336)	(0.392)	(-2.639)
Closely Held Shares	**-0.566****	**0.555***	**-0.589*****
	(-2.150)	(1.647)	(-2.642)
Constant	0.187	-0.286	0.060
	(1.172)	(-1.551)	(0.347)
Observations	1,183	961	803
R-squared	0.071	0.058	0.099

Notes: The sample covers the period 2005 - 2021. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year and industry fixed effects in each regression model. T-stats are reported in parentheses.