Not All Activist Investors are the Same and This Matters:

Impact of Activist Shareholder Types and Their Campaigns on Target Firm Value

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Abstract

Using an international sample of 8,581 hedge fund and other types of activists announcing their campaigns between 2000 and 2020 against large but underperforming target firms to alter their shareholder value creating strategies, we examine whether these campaigns enhance long-term firm performance and shareholder value. Shareholder activists are heterogeneous in their investment strategies, short term versus long term focus and their mode of engagement with their investee firms. They also emphasise different campaign goals and adopt different tactics to win their campaigns. This paper identifies five activist types and six campaign themes/demands that activists seek to accomplish. We find that *Primary Focus* activists through well-focused and forceful campaigns achieve greater campaign success than *Partial Focus* and *Occasional Focus* activists. One-off, *Concerned Shareholders* and *Continual Focus* activists such as long-term traditional investment funds are less likely to win their campaigns. Using analysis of share price performance, we also find that successful campaigns are significantly less value destructive over up to three years after the campaign completion while failed campaigns erode shareholder value. The impact of campaign success on accounting Return on Equity (RoE) is ambiguous and RoE depends on pre-campaign target characteristics more than on campaign themes or activist identity. While *Occasional Focus* activists erode shareholder value, *Concerned Shareholders* erode value over two years but they and *Continual Focus* activists add marginal value to shareholders in the third year. As a campaign tactic, Wolf Pack (WP) formation reduces the likelihood of campaign win but has a strong positive impact on shareholder value over 2 and 3 years following campaign success. Thus, WP seems an ineffective tactical ploy but the shareholder coordination that it entails seems to add value long after the campaign end. Among the campaign demands, M & A related demands add shareholder value whereas demands relating to board changes or financial strategies erode value.

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1. Introduction

Prior studies such as Boyson, Gantchev and Shivdasani (2017), Brav, Jiang and Kim (2015), Bebchuk, Brav and Jiang (2015), Becht, Franks, Grant and Wagner (2015), Hamao, Kutsuna and Matos (2011), Brav, Jiang, Partnoy, and Thomas (2008), and Greenwood and Schor (2009) show that hedge fund activism can have a positive impact on subsequent company performance leading to shareholder value gains. Other studies show that hedge fund activism can lead to stronger innovation performance of target firms.

Hedge funds are one type of shareholder activists and the range of activists include active and passive hedge funds, traditional institutional fund such as mutual funds, occasionally active investors, large block owners of companies who act on their own etc. Activism itself can assume a range of forms depending on the mode of engagement with target firms i.e. overt or discreet, style of activism i.e. friendly or confrontational, the campaign objectives i.e. whether they seek governance changes such as board membership or business strategy changes or change in the company's M & A strategies or financial strategies etc. Different activists also have different incentives to become active or aggressively so, depending on their asset management profiles i.e. whether they hold large well diversified portfolios across numerous company stocks or hold undiversified portfolios concentrated on a few potential activism targets.

We find that *Primary Focus* activists through well- focused and forceful campaigns achieve greater campaign success than *Partial Focus* and *Occasional Focus* activists. One-off *Concerned Shareholders* and *Continual Focus* activists such as long-term traditional investment funds are less likely to win their campaigns. We also find that successful campaigns create significant shareholder value over up to three years after campaign whereas failed campaigns erode shareholder value. Impact of campaign success

on accounting Return on Equity (RoE) is ambiguous and RoE performance depends on pre-campaign target characteristics more than on campaign themes or activist identity. Among the campaign demands, M & A related demands add shareholder value whereas demands relating to board changes or financial strategies erode value. While Occasional activists erode shareholder value, *Concerned Shareholders* erode value over two years but they and *Continual Focus* activists add marginal value to shareholders in the third year. As a campaign tactic, Wolf Pack formation reduces the likelihood of campaign win but has a strong positive impact on shareholder value over two and three years following campaign success. Thus, WP seems an ineffective tactical ploy but the shareholder coordination that it entails seems to add value long after the campaign end.

We contribute to the current debate on the value creation performance of activists by providing evidence using robust methodology taking into account that target selection by activists is an endogenous decision and that the pre-existing characteristics of the target firms may determine the value gains reported by earlier studies. We provide the counterfactual evidence on whether, absent activist intervention, firms that have the same profile as the actual targets and have the same propensity to be targeted outperform the latter. We provide evidence based on a large international sample while most prior studies have relied on US data.

Our study contributes to the literature on the impact of investor type on shareholders' value of target firms, by digging further in the various types of activist investors and examining their impact on campaign success, target operating performance and shareholders' wealth. We employ a comprehensive classification of activist types as defined by the Activist Insight database. Such an analysis of activist types allows us to judge which type of activism is effective in improving corporate performance and shareholder wealth. Our analyses of a wide range of campaign demands also allow us to judge which changes demanded by activists help them win their campaigns and help targets improve performance and deliver higher shareholder value. Our paper brings new insights in these areas of activism and corporate governance to the extant literature.

The organization of this paper is as follows. Section 2 provides a discussion of the literature on performance and value effects of shareholder activism, 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

2.1 Hedge fund activism

The impact of shareholder activism on firm value has been the subject of academic investigation for over 30 years now. The profile of activists has changed significantly over time. First it was the corporate raiders in the 1980s undertaking hostile and bust-up takeovers in an attempt to discipline company management and directors. The regulatory changes of the 1990s saw the rise of activist institutional investors by putting more power in the hands of shareholders and increasing their ability to express their views on voting issues. More recently the activist arena has been dominated by a different type of activist investors, namely, hedge funds. In the past, hedge funds were frequently the subject of bad press. In the 1990s hedge funds were generally characterised as short-term speculators, vultures or 'locusts'. This caricature has been somewhat rebutted by empirical evidence showing that hedge funds are more likely to take medium to long term positions in target companies and that through their campaign and engagement with companies these activist investors can bring about value enhancing changes (Becht, et al., 2015 and Bebchuk, et al., 2015). In addition, owing to the higher expenses associated with certain more impactful activist procedures, such as those involving a proxy fight, these procedures tend to be pursued primarily by hedge funds (Gantchev, 2013). Activist hedge funds also tend to be much more specialised and their portfolios typically consist of 10 to 30 companies while the value of their positions tends to be relatively large (Becht et al., 2015). This approach differs significantly from that of other types of activist investors such as institutional investors who can hold hundreds of small ownership positions in different stocks.

The recent evidence on the effect of HF activists on firm value in the US shows that shareholder returns tend to be enhanced following activist campaigns. For example, Klein and Zur (2008) examine 151 hedge fund campaigns announced between 2003 and 2005 and show that the market reaction around

the disclosure (in their Schedule 13D filing) date of block share acquisitions by hedge funds is significantly positive and that the positive share price returns tend to persist over a year following the start of the activist campaign. The study uses the Fama-French benchmarking procedure to create size-matched portfolios of firms in order to estimate abnormal returns following the filing of each Schedule 13D. Brav et al. (2008) investigate 882 hedge fund engagements between 2001 and 2006 and report average abnormal returns amounting to 7% during the (-20, +20) days announcement window. The authors use the Fama-French four factor model to estimate the benchmark for calculating abnormal returns and observe that the positive announcement returns are not reversed during the one-year period subsequent to the activist engagement. and argue that, since these abnormal returns persist longer than the announcement window, they cannot be attributed to market overreaction or temporary price pressures caused by higher trading volumes but only to hedge fund engagement.

Boyson and Mooradian (2011) using a sample of 397 engagements of 111 HF activists during 1994-2005 find that targets' short term as well long-term operating performance improved. Impact of more aggressive HFs aiming to induce corporate governance changes, mergers, and reduction in excess cash was stronger and they earned higher risk adjusted returns of 7 to 11% than less aggressive or non-active HFs. Similarly, Bebchuk et al. (2015) use a sample of approximately 2,040 engagements announced between 1994 and 2007 to evaluate the long-term effects of hedge fund activism on company performance. The study measures the buy-and-hold abnormal returns (BHAR) following the activist's disposal of ownership in the target firm using a holding period of one month to 36 or 60 months after the departure of the hedge fund. Expected returns are calculated using the Fama-French four factor model. The authors report average 36-month (60-month) BHAR amounting to 7.17% (-0.29%). Bebchuk et al. (2015) also examine the effects of hedge fund activism on long-term operating performance by examining the change in firm industry-adjusted ROA and Tobin's Q over a period starting three years before the activist's engagement and ending five years after. The authors estimate the benchmark operating performance by matching companies on the basis of size and age and show that there is no evidence of a negative impact on firm operating performance following the engagement

of HF activists. The authors conclude that there is little evidence to support the claim that activists hurt long-term performance through short-sighted "pump-and-dump" trading methods.

Similar to studies which focus on activism in the US, the recent literature on hedge fund activism outside the US demonstrates that activist investors can contribute to shareholder value creation. Becht, Franks and Grant (2010) examine a sample of 362 mostly hedge fund activist engagements in Europe between 2000 and 2008. The authors find significantly positive abnormal returns of 4.4% around the dates of block disclosures. Bessler, Drobetz, and Holler (2015) investigate 231 activist engagements in Germany and report that on average activists enhance shareholder value when the effect is evaluated both over the short- and long-term. In line with most US studies, the authors use the Fama-French four factor model to estimate benchmark expected returns. Hamao, Kutsuna and Matos (2010) examine 916 shareholder proposals submitted primarily by hedge funds in Japan during the period 1998 to 2009 and find that long run shareholder returns are not significantly changed following the submission of such proposals. The authors adopt the buy-and-hold abnormal returns methodology and estimate expected returns on the basis of the Fama-French four factor model.

Becht et al. (2017) analyse an international sample of 1,740 activist engagements between 2000 and 2010 and find that activist interventions with an outcome result in average calendar time portfolio returns of 8% while interventions without outcome result in 2.3% returns when using the Fama-French four factor benchmark over a period starting in the month of outcome announcement and ending when the hedge fund disposes of its position the target company. The authors conclude that the engagement of hedge funds can lead to positive alpha but that the size of returns is contingent upon the activist achieving the desired outcome from the intervention. The authors suggest that there is initial uncertainty that the hedge funds will succeed in their campaign objectives and that the announcements of the outcomes serve to resolve this uncertainty. Brav, Jiang, Ma, and Tian (2016) examine the effect of hedge fund intervention on corporate innovation with the use of a similar methodology to that in Brav et al. (2015). Specifically, the authors show that although R&D expenditure decreases following hedge fund engagement, companies experience an increase in patent counts and citations.

2.2 Other activist investors and their impact

Although activist HFs, owing to their high-profile and often high-decibel campaigns against large targets, have grabbed a lot of public attention, this does not mean that shareholder activism is limited only to HFs. Indeed, as noted above, individual raiders also grabbed a lot of attention in the 1980s and 1990s. Many traditional investors such as mutual funds, pension funds and investment trusts have actively pursued their own, often low-key, strategies to persuade corporate managers to change their governance, business strategy etc to enhance the value of their investments. 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. An important question is whether these investor types differ not only in the goals they seek in their campaigns and the tactics they employ but also in the effectiveness of their campaign to achieve their campaign goals and deliver enhanced shareholder value. In this paper we address this question. We now present the findings of the studies which have dealt with this issue examining it from three perspectives, namely: the shareholders' value, the outcome of campaigns and the relation with takeovers.

Impact of investor type on shareholders' value enhancement of target firms

Kahan and Rock (2007) explain the differences between hedge funds activism and the traditional activism performed by institutional investors. HFs tend to hold undiversified stock positions in a few targets which offer scope for their activism. They may also have honed their campaign tactics and skills to achieve significant changes in such firms, but these campaigns may involve high costs as well as high risk of failure. In contrast, long-term institutional investors follow a diversification strategy often imposed by regulatory constraints and have different incentives to continually monitor and improve target performance through low-key activism. The authors 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. Clifford (2008) differentiates between hedge funds' activist posture (as defined by them under Schedule 13d) and their 'passive' investment policy 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 et al. 2008) and Germany

(Bessler, Drobetz, and Holler, 2015; Mietzner and Schweizer, 2014) and the US (Boyson, and Mooradian, 2011).

Katelouzou (2015) notes that an activist hedge fund's campaign has four discrete stages: the entry stage at which a target company that presents high-value opportunities for engagement is selected; the trading stage at which a significant stake is gathered; the disciplining stage during which the activist deploys his strategy; and, finally, the exit stage. This approach differs from that of traditional institutional investors who, Gilson, and Gordon (2013) argue, are more inclined to increase their revenues and profits by enlarging the portfolios under their management rather than by ensuring better performance of individual portfolio companies through effective monitoring and timely interventions. Thus, they reduce the agency cost to investors who invest through intermediary asset managers. Bebchuk, Cohen, and Hirst (2017) also argue that investment managers of indexed mutual 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. But HF activists are opportunistic and, having spotted underperforming firms, can mount timely interventions to bring about the necessary enhancements and thus reduce the agency problem for the ultimate investors.

Denes, Karpoff, and McWilliams (2017) from their review of 73 empirical studies on the impact of activism on the performance and corporate governance of targeted firms conclude that shareholder activism in the form of a partial acquisition (a substantial block of shares) or a full acquisition of the target firms leads to significant improvements in their long-term stock price and operating performance and that such performance is time dependent, since it was shown that it is present mainly in the period after 2000 and not before in the 1980s and 90s. perhaps due to the changing dynamics of ownership over the later period. Paula, Bromilow, and Malone (2018) also argue that HF activists see unrealized value and missed growth opportunities in a company due to poor management and unleash the hidden potential of this company by engaging with the current directors or campaigning to elect new ones. They often enlist the passive investors forming a formal coalition called Wolf Pack[1] or a more tacit

[1]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 (2014) and Brav et al (2016).

coalition taking advantage of institutional investors' own proactive policies for corporate governance changes, social/ political initiatives etc. So, HF activists' role is catalytic.

Boyson and Pichler (2019) examine the aggressiveness and hostility of HFs' campaign tactics and find a positive impact of such campaigns on targets' long-term stock price returns (BHARs) and operating performance (ROA) and cash flow margin on assets. This improvement in operating performance is independent of the success of hedge funds' counter-resistance i.e. to target management resistance. Boyson, Gantchev and Shivdasani (2017) support the view that the counter-resistance by hedge funds disciplines target managers and motivates them to improve their companies' performance to avoid future activists. Gantchev, Gredil and Jotikasthira (2019) discover positive effects of HFs activism on corporate governance and performance of targets, which are also diffused to non-targeted rival peers who make improvements to avoid future HF interventions. These improvement actions entail increased leverage and payout, decreased Capex and cash holding, and increased ROA and Asset-Turnover.

Ben Arfa, Ammari and Boussada (2020) find from a qualitative comparative analysis of a sample of 33 French listed targets of HFs activists (2004-13) that their interventions, especially when aggressive, are value enhancing relative to passive investors. Thus, they conclude that HF interventions work both as a substitute and complementary mechanisms to weak corporate governance existing in the French corporate sector mitigating agency problems. This study suggests that campaign tactics are leveraged by HFs to achieve their campaign goals.

On the other hand, there are studies which show that activist investors have a detrimental effect on the performance of targets' shareholders' long-term returns, operating performance, and social corporate responsibility. Thus, Des Jardine and Durand (2020) find that the positive impact of HFs activism on shareholder's wealth occurs only over the short-term announcement period and comes at the expense of long-term market value and profitability and causes negative effects on other stakeholder interests. These adverse effects can take the form of decreased operating cash flows, strategic investments (R&D expenses and capex), increased layoffs and a deterioration of corporate social performance. Chen et al. (2020) document a negative side-effect of HF activism, which is the unwanted

loss of human capital (measured by a proxy which records the cancellation of stock options) in target firms. They establish that in those targets many valuable employees depart compared with a matched sample of non-target peers. They also observed that the positive effect of HF activism on firm performance (in terms of RoE and Tobin's Q) becomes stronger when target firms experience a lower departure rate of valuable employees.

2.3 Impact on campaign outcomes

Appel, Gormley, and Keim (2019) present evidence showing that the increased ownership by passive investors (e.g. mutual funds) facilitates the monitoring role of shareholder activists by increasing the probability of successful campaigns. Thus, they show that an increased stake of ownership by 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. This is achieved because passive investors tend to side with the proposals made by activists which effectively reduces the free-rider problem (Grossman and Hart, 1980) that activists encounter when they consider their intervention. Thus, passive investors seem to lend open or tacit support to activists and investor coordination seems to happen even in the absence of overt Wolf Pack (WP) tactics pursued by activists. This is consistent with the catalytic role of activism.

Wiersema, Ahn and Zhang (2020) by using US data showed the importance of reputation of the HF investor to campaign success, by establishing that the target firms' management is willing to reach a settlement with an HF investor who has the reputation of being hostile/confrontational to avoid the disrupting consequences of a subsequent hostile campaign against them. 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 50[2] (to detect the reputation of them, for example being confrontational or not) from the Shark Repellent Database which provides detailed information on the profiles of activist investors, including their campaigns, objectives sought and tactics employed, as well

[2]SharkRepellent identifies the 50 most active hedge funds (SharkWatch 50) based on the number of publicly disclosed activist campaigns waged with an emphasis on recent activity, size of target companies, success rate, percentage of stakes taken that result in activism, frequency of 13D filings, and the size of the fund.

as the settlements reached in the campaigns. Wierserma et al. also use the Activist Insight database to identify the pure activists.

2.4 Impact of activism on takeovers

Boyson, Gantchev and Shivdasani (2017) show that HF activism creates shareholder value by increasing the probability that targeted firms will be eventually acquired, which leads to greater target announcement returns, acquisition premia and completion rates. Jiang, Li and Mei (2019) 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 HFs activists enhance the efficiency of takeover deals and shareholder value by targeting firms which engage in empire building diversifying acquisitions. They find that targets after activist interventions tend to make fewer deals but with higher returns by avoiding large and diversifying deals and making smart divestments of firms acquired in the past. These post-intervention changes become feasible in several ways, such as, by removing CEOs with poor M&A deals track record motivated by empire building goals, by increasing CEOs pay-for-performance sensitivity and by changing board composition. Wu and Chung (2020) also detect a beneficial impact of HFs activists' interventions on target firms M&As activity by inducing these firms to make fewer and better deals. Thus, HFs interventions improve corporate governance practices (e.g. board independence) which help acquiring firms avoid poorly planned and diversifying M&As, reduce takeover premia they pay and eventually increase their stock returns and operating performance.

On top of these academic studies, there is also ample evidence from practitioners, such as the Credit Suisse Insight Report (2019) which shows that activists who focus on a demand/theme containing M&As or remuneration outperformed all other demands/themes (Balance Sheet, Board related, Business Strategy and other governance) both examined in the short- and long-term horizon. In fact, M&As and remuneration demands are the only strategies producing small long-term value, in contrast with the other demand which yield negative excess returns.

To sum up, the above studies show that activists are not homogeneous in terms of their incentives for activism, style of activist campaign, whether they are aggressive or dialogue-oriented, their

campaign goals and demands, and their campaign tactics such as Wolf Pack formation. These differences can impinge on the likelihood of campaign success and on the performance and shareholder value outcomes. We have seen some evidence that certain campaign themes/ demands have a higher chance of success and greater value creation potential. In this paper we classify activist investors according to the criteria used by Activist Investor database. We also classify campaign demands to capture the various corporate dimensions that activists seek to change, to enhance the target firm performance and shareholder value. These demands represent the campaign themes. We aim to provide evidence for the impact of activist investor types, their campaign themes and their campaign tactics on long term shareholder value and operating performance gains.

3. Data and Methodology

3.1 Sample

We construct an international database of exchange-listed targets of activism which covers all campaigns announced in the period January 2000 – December 2020. Our sample of activist demands that set the campaigns rolling is obtained from two sources – Thomson One Banker and Activist Insight. We merge the activist demand datasets obtained from the two database providers. To identify the purpose of each activist engagement we use the information provided by Thomson One Banker and Activist Insight. Our final sample consists of 8,581 activist campaigns 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. Table 2, Panel B shows the distribution of activist campaigns per region of countries of target listing with North America the most active region with 61% of acses. The top three countries with highest number of announced campaigns are the US (4, 676), Australia (679), and Canada (579) and taken together these countries account for approximately 70% of the demands in our sample. Table 2, Panel C shows that companies which operate in the consumer goods and services, financial services and real estate sectors are most likely to be targeted by activists, with 19.9%, 16.6%, and 14.7% of activist campaigns in our sample being accounted for by each of these industries respectively. In Panels D and E we report the

Wolf Pack (WP) tactic used in the campaigns and its association with campaign themes as well as activist types. 31% of the sample campaigns involve WPs with Other Governance, M & A and Board-related themes accounting for the most use of WPs (Panel D). Surprisingly Engagement activists, generally identified as traditional institutional investors use WPs most (45%) followed, less surprisingly, *Primary Focus* and *Partial Focus* activists with whom WP tactic is more often associated (Panel E). This suggests that WP maybe more than a campaign tactic and may represent shareholder coordination involving long term strategic investors as well as short term tactical investors. Such a coordination has implications for the campaign outcomes as well as long term target performance.

[Please Insert Tables 1 and 2 about here]

Table 3, Panel A provides a breakdown of our sample per demand type and outcome. We distinguish between four different demand outcomes: 1. *Activist Withdrew Demands*, which captures cases where the activist decided to no longer pursue the given demand, and makes an announcement to that effect; 2. *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; 3. *Activist's Objectives Successful,* which captures cases where the target company has fully satisfied the activist's demand, for example, the activist demanded and received three board seats; 4. *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 management tends to be hostile and successfully thwarts it. It is interesting to note that the activist investors appear to be unsuccessful with their demands slightly more often than they appear to be partially or fully successful in getting their demands met. Activists were successful in achieving some or all proposed changes in approximately 43% of the time while the activists were unsuccessful or they withdrew their demands in the remaining 57% of the time. It is noteworthy that in a substantial proportion of cases, targets managed to ward off the activists. This means activist campaign have a less than 50% chance of success.

[Please Insert Table 3 about here]

Table 3, Panel A also shows the breakdown of our sample per demand type/ campaign theme. We group the outcomes in six broad categories depending on the type of change that the activist was proposing: 1. *Board-related* strategy designed to obtain board representation or change the structure and/or the members of the Board of Directors; 2. *Other Governance* captures all other types of governance-related demands that do not fall into the Board-related demand group; 3. *M&A* captures strategies to push for an acquisition to be performed by the 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 deal; 4. *Balance Sheet* captures strategies designed to push for a dividend increase, share buyback or restructuring of the balance sheet of the target firm.; 5. *Business Strategy* captures demands where the activist is challenging the current competitive strategic posture of the firm without proposing any specific alternative; 6. *Remuneration* captures strategies designed to push for change to the compensation structure and size provided to the senior members of the management team of the target firm. We note that the largest proportion of demands involve *Governance-related* changes (either board-related or other types of governance-related requests) (68%), followed by *M&A Activism* (12%), and *Balance Sheet* related changes (11%). The demands type that activists are most likely to be fully successful include Board-related and Other Governance demands (70%), followed by M&A Activism (11%) and Balance Sheet Activism (10%).

Our analysis also distinguishes between the different types of activist investors depending on the main investment objectives of the activists. Specifically, we identify five different groups of activist investors: 1. *Primary Focus* activists are defined as 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. *Primary Focus* activists are typically but not exclusively hedge funds; 2. *Partial Focus* activists also proactively and systematically target underperforming companies as part of an established activist investment strategy. However, they differ from *Primary Focus* activists 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; 3. *Occasional Focus* activists

are defined as those 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 to the underperformance of portfolio companies, in a bid to protect their existing investments; 4. *Continual Focus* activists are those investors that have escalated their otherwise typical investment stewardship responsibilities in order to protect and enhance shareholder value. These activists will adopt or otherwise publicly support activist strategies with the objective of achieving or maintaining for their portfolio companies best-in-class ESG characteristics. *Continual Focus* activists are typically but not exclusively mutual fund managers who often operate through the submission of shareholder proposals; 5. *Concerned Shareholders* are defined 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.

Table 3, Panel C shows that the largest proportion of all activist demands is accounted for by the *Continual Focus* investors (25%), followed by *Occasional Focus* (22%), *Partial Focus* (20%), *Concerned shareholder* (17%), and *Primary Focus* (16%). Table 3, Panel B shows the breakdown of the types of demands that are pursued by the different types of activist investors. *Continual Focus* activists appear most likely to pursue non board-related governance campaigns (69% of all announced campaigns in this category) and Remuneration related campaigns (46% of all announced campaigns in this category). *Occasional Focus* investors are most likely to demand M&A (25% of all announced campaigns in this category) and Board-related (27% of all announced campaigns in this category) changes. *Partial Focus* activists appear to be most likely to pursue M&A (36% of all announced campaigns in this category) and Balance Sheet (31% of all announced campaigns in this category) related campaigns. *Concerned Shareholders* pursue board-related (24% of all announced campaigns in this category) and balance sheet (17% of all announced campaigns in this category) campaigns and *Primary Focus* activists appear to be mostly engaged in Business Strategy (31% of all announced

campaigns in this category) and M&A (27% of all announced campaigns in this category) related campaigns.

Table 3, Panel D provides further breakdown of activist investor types and campaign themes for the subsample of successfully completed campaigns. *Continual Focus* activists appear to most often successfully complete non board-related (71%) and remuneration related (34%) campaigns, *Occasional Focus* activists appear to most often successfully complete board-related (30%) and M&A related (25%) campaigns, *Partial Focus* activists appear to be most successful at getting companies to implement balance sheet (37%) and M&A (35%) related campaigns, *Concerned Shareholders* are most successful in board-related (20%) and remuneration (10%) campaigns and *Primary Focus* activists are most likely to successfully complete Business Strategy (37%), Balance Sheet (28%) and M&A (28%) related campaigns.

The information provided in Table 3 suggests that there appear to be some systematic differences in terms of the types of demands that the different activist investors are likely to make and successfully complete. Additionally, Table 3, Panel B also demonstrates that the activist investors differ in terms of their likelihood to be successful with Occasional (24%), Partial (22%) and Primary (22%) focus activists being most likely to successfully complete the announced campaigns while *Continual Focus* (38%) and *Concerned Shareholders* (20%) are most likely to be unsuccessful in getting their demands met. Based on these observations it is plausible to expect that the post-engagement performance of the targets of activist investors will differ depending on the type of activist that has succeeded to push the target firm to change its behaviour and policies in a given way.

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-1m, t+12m), (t-1m, t+24m) and (t-1m, t+36m) where t is the day of announcement of the campaign.[3]

[3] 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.

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, 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 (not just productivity levels, size and age) that are significantly different from those of non-target companies. Examples of such financial characteristics are firm valuation, liquidity, leverage, and growth. We believe that it is necessary to account for these key financial characteristics in order to provide a more direct and reliable method for dealing with endogeneity[4]. We implement the Abadie and

[4] Two recent studies of the effect of hedge fund activism on company performance incorporate tests that attempt to address the endogeneity issues. Brav et al. (2015) examine the hypothesis that the target firm would have experienced an improvement in performance even in the absence of an engagement by a hedge fund(s). Specifically, the authors use a difference-in-difference regression analysis to test this hypothesis 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 with the following independent variables: net capital stock, labour input and material costs. Additional control variables used by the authors include segment and firm size as well as plant age. The authors show that target companies experience improvements in production efficiency during the three years following engagement. It is worth noting that Brav et al. (2015) adopt a second method to deal with the problem of endogeneity. They separate their sample into 'passive' and 'active' engagements. Active engagements are defined as cases where there is evidence that the hedge fund has actively communicated with management regarding company strategy, i.e. they intend to influence and control the target management. To identify these 'active' engagements Brav et al. (2015) 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. We note that this analysis is based on

Imbens (2006) matching procedure in order to perform this more direct and reliable technique for addressing self-selection/ endogeneity issues. This methodology also allows us to use a sample which consists of companies which belong to non-manufacturing as well as manufacturing industries.

Having identified a set of appropriate and possible predictors of the likelihood of being targeted by an activist, we use the Abadie and Imbens (2006) matching technique to evaluate the 'average treatment effect' from 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, 1987) 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.

4. Empirical Analysis

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. With such a model we can 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. We identify a set of firm characteristics that are associated, *a priori* or from prior empirical studies, with activist targeting for intervention. We refer to these characteristics as 'predictor' variables.

a limited sub-sample from all the hedge fund engagements, 299 out of approximately 2,000. In this paper, 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.

In their study, Abadie and Imbens (2006) highlight the importance of matching on the basis of more than one or two control variables as many prior studies in our Literature Review above have done.[5] Therefore, we first identify a comprehensive set of predictor variables that will allow us to estimate reliably the probability of becoming a target of activism. As a first attempt to determine whether endogeneity is a serious issue, we perform simple univariate analysis of our two samples: the (test) sample of actual targets and the sample of control firms. The results are presented in Table 4, Panel A. The analysis reveals that target firms are significantly different from non-target firms in terms of all the different variables that we have examined. These systematic differences between the target and control groups confirm the need to control for the issue of endogeneity when examining the treatment effect of activism on company performance.

[Please Insert Table 4, Panel A about here]

The estimated probit model is presented in Table 4, Panel B, based on industry-adjusted financial characteristics. The table reports both the regression coefficients and the marginal probability change caused by a one standard deviation change in each independent variable from its respective average.

[Please Insert Table 4, Panel B about here]

Brav et al. (2008) and Greenwood and Shor (2009) report that activists are likely to target smaller companies since the larger the target, the larger the initial capital investment that is necessary to obtain a sizeable stock holding in the target and allow the activist to exert any meaningful influence. In addition, buying a significant stake in any large company could increase the exposure of the activist's portfolio to idiosyncratic risk that may be too large even for an activist hedge fund. We use the market capitalisation of companies measured one year before the announcement of the activist engagement in order to account for the effect of company size. Interestingly, the results presented in Table 4, Panel B

[5]Several studies in corporate finance have drawn control firms by matching on industry and size. This procedure is rather *ad hoc* and not as rigorous as the matching procedures we have adopted i.e. Abadie and Imbens (2006). One prior study to adopt the AI methodology in the context of HF activism is by Cremers et al (2018).

show that the variable *Market cap.* has a positive and statistically significant coefficient which is in contrast to the findings of previous studies.

Brav et al. (2008) and Greenwood and Shor (2009) also show that activists are likely to be 'value investors',i.e. they tend to invest in companies with low market-to-book ratios. Our probit regression shows that the *Market to book* has an insignificant effect on the likelihood of being targeted. Furthermore, according to Brav et al. (2008), Bessler et al. (2015), Park and Marchand (2015), the degree to which the activist perceives a given company to be undervalued is an important determinant of the activist's choice to engage with a given company. We employ a number of different variables to measure a given company's degree of undervaluation, such as the ratio of price to free cash flow (variable name *Price to EBITDA*), the forward price earnings ratio (variable name *Forward P/E ratio*), as well as the difference between each company's share price and the broker target price (variable name *Undervaluation*). Our results confirm the expectation that the targets of activists are more likely to have a higher level of perceived undervaluation. This is indicated by the significantly negative coefficients that correspond to the variable *Forward P/E ratio*.

Among the main objectives of activist investors are to improve the strategies and operations of target firms. As a result, it is expected that the targets of activists are likely to have poor operational performance (Brav et al., 2008; Greenwood and Shor, 2009; Bessler et al., 2015). We account for this effect by including a measure of the annual sales growth of the target company during the three years before the announcement of the activist engagement (variable name *Sales growth (3-year)*). In addition, we include a measure of the firm profitability given by the return on capital employed as of one year before the intervention (variable name *ROIC*). In line with our *a priori* expectation both measures of operating performance load with significantly negative coefficients in our probit regression (Table 4, Panel B).

Brav et al. (2008) and Klein and Zur (2009) show that target firm's capital structure is different from that of non-targets. Jensen's (1986) 'free cash flow hypothesis' suggests that managers accumulate excess cash flow to increase the firm size to secure their own personal, rather than shareholders', interests and also avoid the discipline associated with debt by keeping their leverage low. This view

suggests that activist targets are likely to be cash rich and have low levels of leverage on their balance sheets. We control for this difference between targets and non-targets by including a measure of company liquidity given by the ratio of cash to total assets (variable name *Cash_TA*) and a measure of debt by the ratio of net debt to market capitalisation (variable name *NDebt_MCap*). Although the coefficient corresponding to *NDebt_MCap* is not statistically significant, the coefficient corresponding to *Cash_TA* is positive and statistically significant, (Table 4, Panel B). Brav et al. (2008) as well as Klein and Zur (2009) show that target companies' dividend yield tends to be lower compared to their non-target peers. Our results confirm these prior findings since the coefficient corresponding to the variable *Div_yield* is significantly negative (Table 4, Panel B). Following Klein and Zur (2009) we also account for the capital companies invest for the purpose of organic growth[6]. Our variables, *Capex_sales* and *R&D_sales*, load with significantly negative coefficients in our probit models suggesting that companies which commit a higher proportion of their resources for organic growth are less likely to be targeted by activist investors.

Greenwood and Shor (2009), Bebchuk et al. (2015), and Park and Marchant (2015) emphasize that target companies tend to underperform their industry in the years before the activist engagement. We measure the relative performance of companies by calculating the three-year growth in the total returns index for each company before the activist's engagement (variable name *Tot. Return (3-year)*). We also include a measure of the earning per share outcome for each company relative to analyst consensus estimates, this variable captures the degree of 'earnings surprise' associated with the given company and a negative operational performance relative to market expectations would suggest that operational improvements were achievable (variable name *Earnings surprise*). Not surprisingly, *Tot. Return (3-year)* loads with a significantly negative coefficient indicating that activists tend to target companies that underperform relative to their peers (Table 4, Panel B).

[6]Coffee and Palia (2014) argue that target managers may be forced by HF activism to cut back on long term investment such as on R & D and this may be reinforced by the greater leverage targets accept to satisfy some of the demands of the activists e.g. higher dividend payout or share buyback. This suggest that pre-engagement target firms have relatively high R & D expenditure.

Following Hamao et al. (2010) we also control for the liquidity of the shares of companies by including the variable *Turnover* in our probit regression. *Turnover* is measured as traded share volume divided by adjusted shares outstanding. Our results show that the variable *Turnover* is positively and significantly related to the likelihood of becoming a target to activism (Table 4, Panel B). This finding suggests that high trading volume is crucial in order to allow the activists to accumulate the necessary number of shares in a short period of time. This is because the actions of some activists are followed by other investors and these other investors could drive up the cost of amassing the necessary ownership stake that would enable the activist to exert influence on company management. Stocks with high trading volume make it easier for the activist to acquire a significant ownership position before other, tag-along investors.

Following Becht et al. (2015) we also account for the percentage of shares that are owned by company insiders (variable name *Closely Held Shares*). This variable loads with a significantly negative coefficient in the our probit model. This result could be explained by the fact that the larger the stake owned by company insiders, the more difficult it is for the activist to exert any influence on company management and achieve change. According to Park and Marchant (2015) activist investors are considerably less likely to pursue proxy solicitation tactics in order to obtain board representation when company insiders hold more than 25% of shares outstanding.

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

Table 5, Panel A provides a univariate analysis of campaign outcomes on BHAR and RoE over 1-year, 2-year and 3-year windows starting from one month before campaign announcement. We find that Unsuccessful campaigns result in significant shareholder value losses relative to the returns generated by Abadie-Imbens (AI) -matched control firms. Successful campaigns perform as well as these control firms. When activists withdraw their demands the target firms again significantly under-perform their control firms. In shareholder value terms, Unsuccessful campaigns destroy value relative to successful ones. Table 5, Panel B that targets significantly underperform their control firms in the first year whether or not the campaign succeeds and demand withdrawal leads to significant under-performance over the 2-year window as well.

[Please Insert Table 5 about here]

Table 6 shows the impact of campaign themes on BHAR and on RoE. In Panel A we find that the M & A theme leads to significant value gains in the 1- and 2-year windows and campaigns for changes in Other Governance similarly add significant value in the 2- and 3-year windows relative to control firm performance. In contrast, Board-related campaigns result in value erosion in the 1- and 2-year windows. Panel B shows that such campaigns also underperform control firms in terms of RoE. M & A and Remuneration themes also significantly underperform but the Other Governance theme leads to significant performance improvement over 3 years.

[Please Insert Table 6 about here]

Table 7 reports the impact of Investor Type on BHAR and RoE. In Panel A, while *Primary Focus* activists add value (1-year window), *Continual Focus* activists add value over three years. In contrast *Occasional Focus* and Concerned shareholder types of activists significantly under-perform their control firms. Thus different activists achieve significantly different value outcomes. In Panel B, we find only *Continual Focus* activists significantly outperform their control firms over three years, whereas *Primary Focus*, *Partial Focus* and *Occasional Focus* activists significantly under-perform the control firms. In terms of both BHAR and RoE, *Continual Focus* activists outperform all the other activists but only over the longest window of 3 years.

[Please Insert Table 7 about here]

We now present the regression models of the likelihood of campaign success and the contribution of activist types to that success in Table 8, Panel A. We find that *Primary Focus*, *Partial Focus* and *Occasional Focus* types significantly improve the chances of campaign success whereas *Continual Focus* and Concerned shareholder types reduce those chances. Wolf Pack tactic doesn't help win campaigns but actually make campaign win less likely. As was suggested in the Literature review in Section 2, Closely Held shares, a proxy for strength of insider control, strongly and significantly erode the chances of campaign win. Smaller targets with higher leverage and poorer RoE performance prior to the activist campaigns are more likely to help activists win their campaigns.

In Panel B of Table 8 we find that campaign themes have a significant impact on the probability of success. While Board-related and Business strategy themes make it significantly more likely, Balance sheet, M & A, Other Governance and Remuneration themes make it less likely. Wolf Pack, Closely heald shares, Leverage, small firm size and RoE performance impact on campaign success the same way as in Panel A.

[Please Insert Table 8 about here]

Table 9 presents the impact of campaign outcome on BHAR over 1 year (Panel A), over 2 years (Panel B) and over three years (Panel C). Success of campaigns results in significantly higher BHAR over all three periods whereas Unsuccessful campaigns result in value erosion over 1 year. Withdrawal of campaign demands leads to significant wealth losses over 2 and 3 years. Thus, campaign success is a definitely value creating outcome. Wolf Pack is a significantly value creating tactic but this strong positive performance over both 2 years and 3 years means WP has significance beyond a campaign tactic and suggests shareholder coordination that endures beyond the campaigns. Targets performing significantly better in the pre-campaign period also help create more value in the post-campaign periods of 1 and 2 years.

[Please Insert Table 9 about here]

Table 10 presents the impact of campaign outcome on operating performance measured by RoE over one year (Panel A), over two years (Panel B) and over three years (Panel C). Campaign success leads to marginally significant improvement over three years, Demand withdrawal significantly destroys value over two and three years. Partially successful campaigns lead to poorer performance in year 1 and Unsuccessful, surprisingly, enhances performance over 2 years. Interestingly, many control variables show a strong and highly significant impact on post-campaign RoE over all three periods. Their impact is much stronger than that of the campaign outcomes. Low Leverage and low profit margin targets as well as large and highly stock-market rated targets improve their RoE after activist campaigns (Panel A). In addition, Low liquidity targets also improve their RoE over two years (Panel B). But over

the 3-year window, low stock-market rated and high leverage targets are now able to register improved operating performance.

Table 10 shows that post-campaign operating performance depends less on campaign outcome and more strongly on the pre-campaign characteristics of the activists' targets. This picture contrasts with that from Table 9 where campaign outcomes influence post-campaign BHAR more strongly than the pre-campaign characteristics except RoE of the targets. This suggests that possibly the activist campaigns themselves act as wake-up calls to target managers who then discover the inherent strengths and weaknesses of their firms and begin to act to manage these better and achieve stronger operating performance. The BHAR gains themselves may be anticipating this kind of turnaround.

[Please Insert Table 10 about here]

Table 11 present the regressions of the impact of campaign themes and control variables on BHAR over 1 year (Panel A), over 2 years (Panel B) and over 3 years (Panel C). While M & A campaigns strongly and significantly impact on BHAR over 1 year and 2 years, Other Governance adds significant value over 3 years. Board-related campaigns erode shareholder value over 1 year and 2 years and Balance sheet theme has a marginally significant negative impact on BHAR over 2 years. Wolf Pack strongly and significantly enhances value over 2 years and 3 years again suggesting its long term benefit as a possible coordination mechanism rather than as a tactical ploy to win a campaign. Pre-campaign target characteristics also have significant impact on shareholder value outcome. Strong RoE, large firm size and high insider ownership improve shareholder value but high cash holding erodes that value over different windows. Campaign themes seem to matter to long term shareholder value gains in activist campaigns.

[Please Insert Table 11 about here]

Table 12 models the impact of campaign themes on operating performance, RoE over 1 year (Panel A), over 2 years (Panel B) and over 3 years (Panel C). Over the first two windows none of the campaign themes has any impact on RoE but over 3 years Business strategy has a marginally negative impact. While Leverage, cash liquidity and profit margin impact negatively on post-campaign RoE, large firm

size and high stock market rating i.e. MTBV have a consistent positive impact on RoE. What is striking is the negligible campaign theme impact on RoE in contrast to the significant impact of some the themes on BHAR in Table 11.

[Please Insert Table 12 about here]

Table 13 reports the impact of activist types on BHAR, over 1 year (Panel A), over 2 years (Panel B) and over 3 years (Panel C). *Concerned Shareholders* impact negatively over 1 year and *Occasional Focus* activists similarly over 3 years. But *Concerned Shareholders* and *Continual Focus* activists have a marginal positive impact on shareholder value gains. Wolf Pack has a strong positive impact on BHAR over 2 years and 3 years. Pre-campaign RoE, large firm size, strong insider ownership increase shareholder value but high cash liquidity cause value erosion.

[Please Insert Table 13 about here]

Table 14 reports the impact of activist types on RoE over 1 year (Panel A), over 2 years (Panel B) and over 3 years (Panel C). The only type to have a marginal positive impact is Concerned shareholder over 3 years. High pre-campaign leverage, cash liquidity and profit margin significantly reduce post-campaign operating performance whereas large firm size, high stock market rating and strong insider ownership have a highly significant positive impact on post-campaign RoE.

[Please Insert Table 14 about here]

5. Summary and Conclusions

Impact of hedge fund (HF) activism, on the operating and shareholder value performance of the target firms has been the subject of many recent studies (e.g. Brav et al.2008; Klein and Zur, 2009; Bessler et al., 2015; Becht et al., 2015; Becht et al., 2017; and Bebchuk et al., 2015).

Hedge funds are one type of shareholder activists and the range of activists include active and passive hedge funds, traditional institutional fund such as mutual funds, occasionally active investors, large block owners of companies who act on their own etc. Activism itself can assume a range of forms depending on the mode of engagement with target firms i.e. overt or discreet, style of activism i.e.

friendly or confrontational, the campaign objectives i.e. whether they seek governance changes such as board membership or business strategy changes or change in the company's M & A strategies or financial strategies etc. Different activists also have different incentives to become active or aggressively so, depending on their asset management profiles i.e. whether they hold large well diversified portfolios across numerous company stocks or hold undiversified portfolios concentrated on a few potential activism targets.

We find that *Primary Focus* activists through well- focused and forceful campaigns achieve greater campaign success than *Partial Focus* and *Occasional Focus* activists. One-off *Concerned Shareholders* and *Continual Focus* activists such as long-term traditional investment funds are less likely to win their campaigns. We also find that successful campaigns create significant shareholder value over up to three years after campaign whereas failed campaigns erode shareholder value. Impact of campaign success on accounting Return on Equity (RoE) is ambiguous and RoE performance depends on pre-campaign target characteristics more than on campaign themes or activist identity. Among the campaign demands, M & A related demands add shareholder value whereas demands relating to board changes or financial strategies erode value. While Occasional activists erode shareholder value, *Concerned Shareholders* erode value over two years but they and *Continual Focus* activists add marginal value to shareholders in the third year. As a campaign tactic, Wolf Pack formation reduces the likelihood of campaign win but has a strong positive impact on shareholder value over two and three years following campaign success. Thus, WP seems an ineffective tactical ploy but the shareholder coordination that it entails seems to add value long after the campaign end.

We contribute to the current debate on the value creation performance of activists by providing evidence using robust methodology taking into account that target selection by activists is an endogenous decision and that the pre-existing characteristics of the target firms may determine the value gains reported by earlier studies. We provide the counterfactual evidence on whether, absent activist intervention, firms that have the same profile as the actual targets and have the same propensity to be targeted outperform the latter. We provide evidence based on a large international sample while most prior studies have relied on US data.

Our study contributes to the literature on the impact of investor type on shareholders' value of target firms, by digging further in the various types of activist investors and examining their impact on campaign success, target operating performance and shareholders' wealth. We employ a comprehensive classification of activist types as defined by the Activist Insight database. Such an analysis of activist types allows us to judge which type of activism is effective in improving corporate performance and shareholder wealth. Our analyses of a wide range of campaign demands also allow us to judge which changes demanded by activists help them win their campaigns and help targets improve performance and deliver higher shareholder value. Our paper brings new insights in these areas of activism and corporate governance to the extant literature.

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Table 1. Variable Definitions

Name	Definition
Closely Held Shares	the percentage of shares that are owned by company insiders. Source: Datastream EIKON
Market cap.	The market capitalization of the target company is measured as of the end of the fiscal year prior to the year of activist engagement. We take the natural logarithm of this variable for the purposes of the regression analysis. Source: Datastream EIKON
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. Source: Datastream EIKON
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. Source: Datastream EIKON
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. Source: Datastream EIKON
Market to Book	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. Source: Datastream EIKON
Activist Wolf Pack Dummy	A dummy variable which indicates whether (1) or not (0) multiple activist investors engage the company at the same time. Source: Activist Insight
Activist Successful	The company has fully satisfied the activist's demand. For example, the activist demanded and received three board seats.
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. Source: Activist Insight
Activist Withdrew Demand	The activist is no longer going to pursue its demand, for example following an announcement from the activist. Source: Activist Insight
Activist Partially successful	The activist has been somewhat successful in achieving its objective. For example, the activist has received two board seats but had demanded three. Source: Activist Insight
Primary focus	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. Primary focus activists are typically but not exclusively hedge funds. Source: Activist Insight
Partial focus	Investors who proactively and systematically target underperforming companies as part of an established activist investment strategy. However, they differ from primary focus activists 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. Source: Activist Insight
Occasional focus	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 to the underperformance of portfolio companies, in a bid to protect their existing investments. Source: Activist Insight

Table 1. Variable Definitions *Continued*

Name	Definition
Continual Focus	Investors that have escalated their otherwise typical investment stewardship responsibilities in order to protect and enhance shareholder value. These activists will adopt or otherwise publicly support activist strategies with the objective of achieving or maintaining for their portfolio companies best-in-class ESG characteristics. Continual focus activists are typically but not exclusively mutual fund managers who often operate through the submission of shareholder proposals. Source: Activist Insight
Concerned shareholders	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. Source: Activist Insight
Board-related	Strategy designed to obtain board representation or change the structure and/or the members of the Board of Directors. Source: Activist Insight
Business Strategy	Strategy related change where the activist is challenging the current strategic posture of the firm without proposing any specific strategic alternative. Source: Activist Insight
Balance Sheet	Strategy designed to push for a dividend increase, share buyback or restructuring of the balance sheet of the target firm. Source: Activist Insight
M&A Activism	Strategy designed to push for an acquisition to be performed by the 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 deal.
Other Governance	Other types of governance-related demands that do not fall into the Board-related Demand Type presented above. Source: Activist Insight
Remuneration	Strategy designed to push for change to the compensation structure and size provided to the senior members of the management team of the target firm. Source: Activist Insight
Price to EBITDA	The ratio of price to free cash flow. This variable is measured as of the end of the fiscal year prior to the year of activist engagement. Source: Datastream EIKON
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. Datastream EIKON
Undervaluation	The difference between each company's share price and the broker target price. Datastream EIKON
ROIC	Return on capital employed as of one year before the HF intervention. Datastream EIKON
R&D_sales	The ratio of research and development expense to sales. This variable is measured as of the end of the fiscal year prior to the year of activist engagement. Datastream EIKON
Turnover	Measured as share volume divided by adjusted shares outstanding. Datastream EIKON
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. Datastream EIKON
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. Datastream EIKON
Tot. Return (3-year)	The three-year growth in the total returns index for each company before the activist's engagement. Datastream EIKON

Table 2. Sample distribution per year, country, region and industry

Panel A: Activist demands by year

Year of Announcement	Number of Demands	Percent
2000	25	0.3%
2001	33	0.4%
2002	44	0.5%
2003	35	0.4%
2004	42	0.5%
2005	54	0.6%
2006	75	0.9%
2007	96	1.1%
2008	121	1.4%
2009	118	1.4%
2010	160	1.9%
2011	182	2.1%
2012	360	4.2%
2013	541	6.3%
2014	587	6.8%
2015	835	9.7%
2016	932	10.9%
2017	993	11.6%
2018	1043	12.2%
2019	1162	13.5%
2020	1143	13.3%
Total	**8581**	**100.0%**

Panel B: Activist demands by region

Region of Target	Number of Demands	Percent
North America	5258	61.3%
Asia-Pacific	1718	20.0%
Europe	1443	16.8%
Middle East and Africa	98	1.1%
Latin America	64	0.7%
Total	**8581**	**100.0%**

Panel C: Activist demands by industry

Industry of Target	Number of Demands	Percent
Consumer Goods and Services	1711	19.9%
Financial Services	1423	16.6%
Real Estate	1260	14.7%
Utilities	1097	12.8%
Basic Materials	887	10.3%
Industrials	785	9.1%
Energy	531	6.2%

Telecommunications	316	3.7%
Technology	295	3.4%
Healthcare	276	3.2%
Total	**8581**	**100.0%**

Panel D: Demand Types with Wolf Pack Involvement

Demand Type	Number of Demands	Demands with Wolf Pack Involvement	Demands without Wolf Pack Involvement	Percentage of Demands with Wolf Pack Involvement	Percentage of Demands without Wolf Pack Involvement
Balance Sheet Activism	902	232	670	26%	74%
Board Related Activism	3949	1125	2824	28%	72%
Business Strategy	414	71	343	17%	83%
M&A Activism	1039	363	676	35%	65%
Other Governance	1865	744	1121	40%	60%
Remuneration	412	93	319	23%	77%
Total	**8581**	**2628**	**5953**	**31%**	**69%**

Panel E: Demand Types with Wolf Pack Involvement

Investor type	Number of Demands	Demands without Wolf Pack Involvement	Demands with Wolf Pack Involvement	Percentage of Demands without Wolf Pack Involvement	Percentage of Demands with Wolf Pack Involvement
Concerned Shareholder	1488	278	1210	19%	81%
Continual Focus	2120	960	1160	45%	55%
Occasional Focus	1864	401	1463	22%	78%
Partial Focus	1715	502	1213	29%	71%
Primary Focus	1394	487	907	35%	65%
Total	**8581**	**2628**	**5953**	**31%**	**69%**

Notes: The sample covers the period 2000 - 2020. The sample of activist investor engagements is obtained from the Thomson One Banker Refinitiv and Activist Insight databases.

Table 3. Sample Descriptives
Panel A: Breakdown of Demand Type and Outcome

Campaign Outcome	Number of Observations	Percentage
Activist's Objectives Unsuccessful	3984	46%
Activist's Objectives Successful	3145	37%
Activist Withdrew Demands	948	11%
Activist's Objectives Partially Successful	504	6%
Total	**8581**	**100%**

Type of Engagement	Activist Withdrew Demands	Activist's Objectives Partially Successful	Activist's Objectives Successful	Activist's Objectives Unsuccessful	Total
Balance Sheet Activism	90	48	311	453	902
Board Related Activism	469	398	1685	1397	3949
Business Strategy	61	14	190	149	414
M&A Activism	201	22	359	457	1039
Other Governance	90	19	518	1238	1865
Remuneration	37	3	82	290	412
Grand Total	**948**	**504**	**3145**	**3984**	**8581**

Type of Engagement	Activist Withdrew Demands	Activist's Objectives Partially Successful	Activist's Objectives Successful	Activist's Objectives Unsuccessful	Total
Balance Sheet Activism	9%	10%	10%	11%	11%
Board Related Activism	49%	79%	54%	35%	46%
Business Strategy	6%	3%	6%	4%	5%
M&A Activism	21%	4%	11%	11%	12%
Other Governance	9%	4%	16%	31%	22%
Remuneration	4%	1%	3%	7%	5%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Table 3. Sample Descriptives
Panel A: Breakdown of Demand Type and Outcome *Continued*

Type of Engagement	Activist Withdrew Demands	Activist's Objectives Partially Successful	Activist's Objectives Successful	Activist's Objectives Unsuccessful	Total
Balance Sheet Activism	10%	5%	34%	50%	100%
Board Related Activism	12%	10%	43%	35%	100%
Business Strategy	15%	3%	46%	36%	100%
M&A Activism	19%	2%	35%	44%	100%
Other Governance	5%	1%	28%	66%	100%
Remuneration	9%	1%	20%	70%	100%
Total	**11%**	**6%**	**37%**	**46%**	**100%**

Table 3. Sample Descriptives
Panel B: Breakdown of Investor Type and Outcome

Type of Investor	Activist Withdrew Demands	Activist's Objectives Partially Successful	Activist's Objectives Successful	Activist's Objectives Unsuccessful	Total
Concerned Shareholder	161	78	456	793	1488
Continual Focus	68	13	541	1498	2120
Occasional Focus	260	150	762	692	1864
Partial Focus	269	148	705	593	1715
Primary Focus	190	115	681	408	1394
Total	**948**	**504**	**3145**	**3984**	**8581**

Type of Investor	Activist Withdrew Demands	Activist's Objectives Partially Successful	Activist's Objectives Successful	Activist's Objectives Unsuccessful	Total
Concerned Shareholder	17%	15%	14%	20%	17%
Continual Focus	7%	3%	17%	38%	25%
Occasional Focus	27%	30%	24%	17%	22%
Partial Focus	28%	29%	22%	15%	20%
Primary Focus	20%	23%	22%	10%	16%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Table 3. Sample Descriptives
Panel C: Breakdown of Investor Type and Campaign Theme for *all announced engagements*

Type of Investor	Balance Sheet Activism	Board Related Activism	Business Strategy	M&A Activism	Other Governance	Remuneration	Total
Concerned Shareholder	151	948	38	69	215	67	1488
Continual Focus	51	537	10	54	1279	189	2120
Occasional Focus	201	1074	97	264	157	71	1864
Partial Focus	279	762	142	374	108	50	1715
Primary Focus	220	628	127	278	106	35	1394
Grand Total	902	3949	414	1039	1865	412	8581

Type of Investor	Balance Sheet Activism	Board Related Activism	Business Strategy	M&A Activism	Other Governance	Remuneration	Total
Concerned Shareholder	17%	24%	9%	7%	12%	16%	17%
Continual Focus	6%	14%	2%	5%	69%	46%	25%
Occasional Focus	22%	27%	23%	25%	8%	17%	22%
Partial Focus	31%	19%	34%	36%	6%	12%	20%
Primary Focus	24%	16%	31%	27%	6%	8%	16%
Total	100%	100%	100%	100%	100%	100%	100%

Table 3. Sample Descriptives

Panel D: Breakdown of Investor Type and Campaign Theme for *successful engagements only*

Type of Investor	Balance Sheet Activism	Board Related Activism	Business Strategy	M&A Activism	Other Governance	Remuneration	Total
Concerned Shareholder	29	340	17	24	38	8	456
Continual Focus	7	113	4	22	367	28	541
Occasional Focus	73	499	39	90	42	19	762
Partial Focus	116	355	59	124	40	11	705
Primary Focus	86	378	71	99	31	16	681
Total	**311**	**1685**	**190**	**359**	**518**	**82**	**3145**

Type of Investor	Balance Sheet Activism	Board Related Activism	Business Strategy	M&A Activism	Other Governance	Remuneration	Total
Concerned Shareholder	6%	75%	4%	5%	8%	2%	100%
Continual Focus	1%	21%	1%	4%	68%	5%	100%
Occasional Focus	10%	65%	5%	12%	6%	2%	100%
Partial Focus	16%	50%	8%	18%	6%	2%	100%
Primary Focus	13%	56%	10%	15%	5%	2%	100%
Grand Total	**10%**	**54%**	**6%**	**11%**	**16%**	**3%**	**100%**

Type of Investor	Balance Sheet Activism	Board Related Activism	Business Strategy	M&A Activism	Other Governance	Remuneration	Total
Concerned Shareholder	9%	20%	9%	7%	7%	10%	14%
Continual Focus	2%	7%	2%	6%	71%	34%	17%
Occasional Focus	23%	30%	21%	25%	8%	23%	24%
Partial Focus	37%	21%	31%	35%	8%	13%	22%
Primary Focus	28%	22%	37%	28%	6%	20%	22%
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Notes: The sample covers the period 2000 - 2020. The sample of activist investor engagements is obtained from the Thomson One Banker Refinitiv and Activist Insight databases.

Table 4. Univariate analysis of differences in predictor variables and Probit model of target firm selection by activist investors

Panel A: Univariate analysis of differences in predictor variables between target firms and control firms

Variable	Activist targets (A)	Controls (B)	Mean comparison test (B) – (A)
Tot. Return (3-year)	-0.034	0.078	**0.112***** (14.197)
NDebt_MCap	0.052	0.042	**-0.010***** (-4.786)
ROIC	-0.012	0.049	**0.061***** (20.963)
Undervaluation	-0.175	-0.136	**0.038***** (10.3965)
Forward P/E ratio	14.093	15.920	**1.827***** (5.410)
Earnings surprise	-0.123	-0.141	**-0.017**** (-1.644)
Sales growth (3-year)	0.024	0.055	**0.031***** (10.469)
Capex_sales	0.136	0.090	**-0.046***** (-12.077)
Div_yield	0.156	0.184	**0.279***** (8.618)
Price to EBITDA	0.554	0.734	**0.180***** (5.9237)
Market to book	2.374	2.265	**-0.109***** (-2.317)
Cash_TA	0.174	0.158	**-0.016***** (-5.781)

Notes: The sample covers the period 2000 - 2020. *** 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.

Table 4. Univariate analysis of differences in predictor variables and Probit model of target firm selection by activist investors
Panel B: Probit model and marginal probabilities

VARIABLES	Probit Model Activist Target Dummy	Marginal Probabilities Activist Target Dummy
Market to Book	0.00840	0.05757
	(1.338)	(1.338)
Market cap.	**0.0582*** **	**0.39912*** **
	(5.519)	(5.519)
NDebt_MCap	-0.0178	- 0.12234
	(-0.545)	(-0.545)
ROIC	**-0.00513*** **	**-0.03519*** **
	(-2.643)	(-2.643)
Sales growth (3-year)	**-1.125*** **	**-0.771608*** **
	(-6.703)	(-6.703)
Earnings Surprise	0.00627	0.04296
	(0.154)	(0.154)
Capex_sales	0.117	0.079891
	(0.761)	(0.761)
R&D_sales	**-0.127*** **	**-0.087278*** **
	(-9.000)	(-9.000)
Div_yield	**-0.0679*** **	**-0.046576*** **
	(-5.771)	(-5.771)
Turnover	**0.0391*** **	**0.026793*** **
	(3.435)	(3.435)
Closely Held Shares	**-1.278*** **	**-0.876251*** **
	(-11.78)	(-11.78)
Cash_TA	**0.674*** **	**0.462275*** **
	(5.412)	(5.412)
Forward PE Ratio	**-0.00531*** **	**-0.03639*** **
	(-3.044)	(-3.044)
Price to EBITDA	-0.00108	-0.00744
	(-0.704)	(-0.704)
Undervaluation	-0.0464	-0.031827
	(-0.418)	(-0.418)
Tot. Return (3-year)	**-0.296*** **	**-0.020285*** **
	(-5.767)	(-5.767)
Constant	-1.717***	
	(-17.04)	
Activist Targets	8,581	
Non-targets	9,944	

Observations	18,525	18,525
Pseudo R-squared	0.0961	

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 5. Univariate Analysis of Campaign Outcome

Panel A: Impact on Share Price Performance

	BHAR M-1 to M+12	BHAR M-1 to M+24	BHAR M-1 to M+36
Successful	-0.011	-0.026	-0.016
t-stat	*(-1.1038)*	*(-1.6074)*	*(-0.7399)*
Partially Successful	-0.017	-0.039	-0.092
t-stat	*(-0.6270)*	*(-0.8706)*	*(-1.4840)*
Unsuccessful	**-0.035*** **	**-0.063*** **	**-0.060*** **
t-stat	*(-4.5851)*	*(-5.3024)*	*(-3.6458)*
Withdrew Demand	-0.026	**-0.092*** **	**-0.095** **
t-stat	*(-1.2501)*	*(-3.2383)*	*(-2.1164)*

Panel B: Impact on ROE

	ROE M-1 to M+12	ROE M-1 to M+24	ROE M-1 to M+36
Successful	**-0.056*** **	-0.022	0.009
t-stat	*(-4.2324)*	*(-1.3984)*	*(0.5019)*
Partially Successful	**-0.121*** **	-0.032	-0.047
t-stat	*(-3.0967)*	*(-0.6880)*	*(-1.0764)*
Unsuccessful	**-0.038*** **	0.015	0.011
t-stat	*(-3.7372)*	*(1.3470)*	*(0.7258)*
Withdrew Demand	**-0.105*** **	**-0.083*** **	-0.048
t-stat	*(-4.3193)*	*(-2.7301)*	*(-1.3591)*

This table reports the buy and hold average abnormal returns (BHAR) that accrue to targets of activist engagements. The returns are adjusted using the returns that accrue to the matched control group using the Abadie and Imbens (2009) matching procedure. The sample is broken down per Campaign Outcome in Panel A and Campaign Theme in Panel B. The sample covers the period 2000 - 2020. *** 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.

Table 6. Univariate Analysis of Campaign Theme

Panel A: Impact on Share Price Performance

	BHAR M-1 to M+12	BHAR M-1 to M+24	BHAR M-1 to M+36
Board-related	**-0.044*** **	**-0.078*** **	-0.052
t-stat	*(-2.9024)*	*(-3.2763)*	*(-1.5935)*
Balance Sheet	-0.037	-0.026	-0.082
t-stat	*(-1.2250)*	*(-0.5616)*	*(-1.3949)*
Business Strategy	-0.053	-0.065	-0.112
t-stat	*(-1.2358)*	*(-0.9875)*	*(-1.3953)*
M&A	**0.140*** **	**0.109*** **	0.004
t-stat	*(5.0758)*	*(2.7998)*	*(0.0964)*
Other Governance	0.020	**0.062** **	**0.151*** **
t-stat	*(0.9291)*	*(1.9411)*	*(2.8471)*
Remuneration	-0.024	-0.054	-0.005
t-stat	*(-0.4675)*	*(-0.6101)*	*(-0.0369)*

Panel B: Impact on ROE

	ROE M-1 to M+12	ROE M-1 to M+24	ROE M-1 to M+36
Board-related	**-0.060*** **	-0.040	-0.021
t-stat	*(-2.9772)*	*(-1.5766)*	*(-0.7204)*
Balance Sheet	-0.047	0.001	0.021
t-stat	*(-1.2964)*	*(0.0236)*	*(0.6099)*
Business Strategy	-0.027	-0.076	-0.066
t-stat	(-0.5622)	(0.9019)	(1.0771)
M&A	**-0.090** **	0.027	0.039
t-stat	*(-2.0451)*	*(0.5235)*	*(0.7002)*
Other Governance	-0.031	0.016	**0.092*** **
t-stat	*(-1.5178)*	*(0.7234)*	*(2.7422)*
Remuneration	**-0.151***	-0.032	-0.006
t-stat	*(-1.8410)*	*(-0.7331)*	*(-0.0994)*

Notes: This table reports the buy and hold average abnormal returns (BHAR) that accrue to targets of activist engagements. The returns are adjusted using the returns that accrue to the matched control group using the Abadie and Imbens (2009) matching procedure. The sample is broken down per Campaign Outcome in Panel A and Campaign Theme in Panel B. The sample covers the period 2000 - 2020. *** 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.

Table 7. Univariate Analysis of Investor Type

Panel A: Impact on Share Price Performance

	BHAR M-1 to M+12	BHAR M-1 to M+24	BHAR M-1 to M+36
Primary Focus	**0.026***	0.004	0.025
t-stat	(1.6614)	(0.8178)	(1.0027)
Partial Focus	0.017	-0.015	-0.071
t-stat	(0.7874)	(-0.4749)	(-1.5542)
Occasional Focus	-0.012	-0.024	**-0.092****
t-stat	(-0.4656)	(-0.6240)	(-1.9604)
Concerned Shareholder	**-0.136*****	**-0.182*****	-0.002
t-stat	(-4.3214)	(-3.3193)	(-0.0251)
Continual Focus	0.007	0.037	**0.081****
t-stat	(0.3647)	(1.4038)	(2.0569)

Panel B: Impact on ROE

	ROE M-1 to M+12	ROE M-1 to M+24	ROE M-1 to M+36
Primary Focus	**-0.0416***	-0.022	0.034
t-stat	(-1.7427)	(-0.7845)	(1.0607)
Partial Focus	-0.069**	-0.040	**-0.073****
t-stat	(-2.2217)	(-1.0521)	(-2.2099)
Occasional Focus	**-0.107*****	**-0.072****	**-0.086****
t-stat	(-3.3696)	(-2.1724)	(-2.1424)
Concerned Shareholder	-0.031	0.004	0.073
t-stat	(-0.6568)	(0.0687)	(0.7938)
Continual Focus	-0.019	0.023	**0.087*****
t-stat	(-1.1978)	(1.1183)	(3.1762)

Notes: This table reports the buy and hold average abnormal returns (BHAR) that accrue to targets of activist engagements. The returns are adjusted using the returns that accrue to the matched control group using the Abadie and Imbens (2009) matching procedure. The sample is broken down per Campaign Outcome in Panel A and Campaign Theme in Panel B. The sample covers the period 2000 - 2020. *** 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.

Table 8. Analysis of Likelihood of Campaign Outcome
Panel A: Impact of Activist **Investor Types** on the Likelihood of Campaign Outcome

VARIABLES	Model (1) Activist Success	Model (2) Activist Success	Model (3) Activist Success	Model (4) Activist Success	Model (5) Activist Success
Primary Focus Activist	**0.488*** **				
	(9.889)				
Partial Focus Activist		**0.190*** **			
		(4.133)			
Occasional Focus Activist			**0.0931** **		
			(2.022)		
Concerned Shareholder				**-0.314*** **	
				(-6.025)	
Continual Focus					**-0.525*** **
					(-10.84)
Wolf Pack Dummy	-0.0284	**-0.0397***	**-0.0406***	-0.0228	**-0.0833*** **
	(-1.205)	(-1.691)	(-1.733)	(-0.963)	(-3.495)
Long-term Debt to Total Assets	**0.394*** **	**0.341*** **	**0.334*** **	**0.344*** **	**0.311*** **
	(3.629)	(3.143)	(3.077)	(3.152)	(2.845)
Cash to Total Assets	0.0619	0.0395	0.0305	0.0576	0.0123
	(0.585)	(0.375)	(0.290)	(0.545)	(0.116)
Natural Log of MV	**-0.162*** **	**-0.162*** **	**-0.161*** **	**-0.171*** **	**-0.123*** **
	(-20.19)	(-20.18)	(-19.56)	(-21.30)	(-13.87)
MTBV	0.102	0.0884	0.0914	0.0950	0.114
	(1.159)	(0.995)	(1.017)	(1.052)	(1.296)
ROE	-0.0484	**-0.0570***	**-0.0560***	**-0.0607***	-0.0557
	(-1.598)	(-1.711)	(-1.738)	(-1.773)	(-1.557)
Closely Held Shares	**-0.519*** **	**-0.572*** **	**-0.601*** **	**-0.556*** **	**-0.542*** **
	(-5.517)	(-6.127)	(-6.436)	(-5.918)	(-5.838)
Constant	1.295***	1.351***	1.372***	1.496***	1.274***
	(8.087)	(8.472)	(8.509)	(9.319)	(8.093)
Observations	7,129	7,129	7,129	7,129	7,129

Table 8. Analysis of Likelihood of Campaign Outcome
Panel B: Impact of Activist **Demand Types** on the Likelihood of Campaign Outcome

	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
VARIABLES	Activist Success	Activist Success	Activist Success	Activist Success	Activist Success	Activist Success
Board-related	**0.400*** **					
	(11.13)					
Balance Sheet		**-0.135** **				
		(-2.281)				
Business Strategy			**0.188** **			
			(2.271)			
M&A				**-0.189*** **		
				(-3.348)		
Other Governance					**-0.248*** **	
					(-5.804)	
Remuneration						**-0.586*** **
						(-7.061)
Wolf Pack Dummy	**-0.0421***	-0.0277	-0.0335	-0.0333	**-0.0432***	-0.0165
	(-1.791)	(-1.178)	(-1.418)	(-1.412)	(-1.830)	(-0.699)
Long-term Debt to Total Assets	**0.400*** **	**0.390*** **	**0.384*** **	**0.397*** **	**0.392*** **	**0.387*** **
	(3.661)	(3.585)	(3.523)	(3.656)	(3.595)	(3.557)
Cash to Total Assets	0.0753	0.0716	0.0627	0.0607	0.0612	0.0498
	(0.710)	(0.677)	(0.593)	(0.572)	(0.579)	(0.468)
Natural Log of MV	**-0.147*** **	**-0.162*** **	**-0.162*** **	**-0.164*** **	**-0.152*** **	**-0.160*** **
	(-17.95)	(-20.11)	(-20.11)	(-20.32)	(-18.42)	(-19.86)
MTBV	0.0706	0.0961	0.101	0.0995	0.100	0.0916
	(0.795)	(1.097)	(1.155)	(1.126)	(1.128)	(1.045)
ROE	-0.0449	-0.0477	-0.0485	-0.0462	-0.0487	**-0.0522***
	(-1.543)	(-1.570)	(-1.595)	(-1.575)	(-1.563)	(-1.771)
Closely Held Shares	**-0.496*** **	**-0.509*** **	**-0.511*** **	**-0.517*** **	**-0.515*** **	**-0.515*** **
	(-5.233)	(-5.417)	(-5.423)	(-5.464)	(-5.496)	(-5.465)
Constant	0.975***	1.304***	1.285***	1.314***	1.280***	1.318***
	(6.035)	(8.153)	(8.010)	(8.190)	(8.033)	(8.125)
Observations	7,129	7,129	7,129	7,129	7,129	7,129

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 9. Impact of Campaign Outcome on Share Price Performance

Panel A: Impact of Campaign Outcome on Share Price Performance in First Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+12	Model (2) BHAR M-1 to M+12	Model (3) BHAR M-1 to M+12	Model (4) BHAR M-1 to M+12
Successful	**0.0360*** **			
	(2.604)			
Partially Successful		-0.0700		
		(-0.244)		
Unsuccessful			**-0.0347** **	
			(-2.576)	
Withdrew Demands				0.0226
				(0.0970)
Wolf Pack Dummy	-0.0664	-0.0736	-0.0795	-0.0749
	(-0.832)	(-0.920)	(-0.993)	(-0.934)
Long-term Debt to Total Assets	0.0185	0.0227	0.0183	0.0226
	(0.395)	(0.484)	(0.391)	(0.483)
Cash to Total Assets	-0.0553	-0.0549	-0.0553	-0.0550
	(-1.222)	(-1.213)	(-1.222)	(-1.215)
Natural Log of MV	-0.0132	-0.0283	-0.0611	-0.0275
	(-0.459)	(-1.021)	(-0.206)	(-0.985)
MTBV	-0.0499	-0.0495	-0.0505	-0.0495
	(-1.000)	(-0.989)	(-1.005)	(-0.989)
ROE	**0.0235***	**0.0231***	**0.0235** **	**0.0231***
	(1.960)	(1.936)	(1.970)	(1.936)
Closely Held Shares	-0.0461	-0.0525	-0.0455	-0.0524
	(-1.324)	(-1.506)	(-1.299)	(-1.501)
Constant	0.504***	0.535***	0.509***	0.529***
	(3.259)	(3.346)	(3.229)	(3.320)
Observations	8,581	8,581	8,581	8,581
R-squared	0.052	0.051	0.052	0.051

Table 9. Impact of Campaign Outcome on Share Price Performance
Panel B: Impact of Campaign Outcome on Share Price Performance in Second Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+24	Model (2) BHAR M-1 to M+24	Model (3) BHAR M-1 to M+24	Model (4) BHAR M-1 to M+24
Successful	**0.0509****			
	(2.361)			
Partially Successful		-0.0122		
		(-0.244)		
Unsuccessful			-0.0234	
			(-1.146)	
Withdrew Demands				**-0.0585***
				(-1.827)
Wolf Pack Dummy	**0.0580*****	**0.0564*****	**0.0562*****	**0.0578*****
	(3.810)	(3.734)	(3.717)	(3.798)
Long-term Debt to Total Assets	0.0511	0.0585	0.0549	0.0575
	(0.702)	(0.806)	(0.756)	(0.792)
Cash to Total Assets	-0.0344	-0.0338	-0.0343	-0.0360
	(-0.497)	(-0.489)	(-0.496)	(-0.521)
Natural Log of MV	**0.0772***	0.0561	**0.0712***	0.0489
	(1.827)	(1.385)	(1.665)	(1.204)
MTBV	-0.00116	-0.00116	-0.00116	-0.00114
	(-1.481)	(-1.478)	(-1.481)	(-1.470)
ROE	**0.0127*****	**0.0126*****	**0.0126*****	**0.0127*****
	(3.355)	(3.324)	(3.323)	(3.345)
Closely Held Shares	0.0680	0.0594	0.0639	0.0570
	(1.212)	(1.059)	(1.140)	(1.020)
Constant	0.803	0.847	0.826	0.847
	(1.321)	(1.379)	(1.344)	(1.373)
Observations	8,581	8,581	8,581	8,581
R-squared	0.044	0.043	0.043	0.044

Table 9. Impact of Campaign Outcome on Share Price Performance
Panel C: Impact of Campaign Outcome on Share Price Performance in Third Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+36	Model (2) BHAR M-1 to M+36	Model (3) BHAR M-1 to M+36	Model (4) BHAR M-1 to M+36
Successful	**0.0909*** **			
	(3.124)			
Partially Successful		-0.0866		
		(-1.272)		
Unsuccessful			-0.0235	
			(-0.856)	
Withdrew Demands				**-0.116** **
				(-2.323)
Wolf Pack Dummy	**0.179*** **	**0.177*** **	**0.176*** **	**0.179*** **
	(7.977)	(7.893)	(7.859)	(7.977)
Long-term Debt to Total Assets	-0.0244	-0.0114	-0.0157	-0.0127
	(-0.229)	(-0.107)	(-0.147)	(-0.120)
Cash to Total Assets	**-0.251** **	**-0.250** **	**-0.253** **	**-0.255** **
	(-2.426)	(-2.421)	(-2.441)	(-2.463)
Natural Log of MV	-0.0335	-0.0762	-0.0549	-0.0865
	(-0.539)	(-1.267)	(-0.885)	(-1.451)
MTBV	-0.0190	-0.0191	-0.0192	-0.0186
	(-1.330)	(-1.343)	(-1.343)	(-1.326)
ROE	0.0484	0.0477	0.0471	0.0485
	(1.395)	(1.358)	(1.343)	(1.395)
Closely Held Shares	0.0476	0.0329	0.0364	0.0287
	(0.613)	(0.424)	(0.467)	(0.371)
Constant	2.899**	3.025**	2.950**	2.979**
	(2.143)	(2.230)	(2.159)	(2.176)
Observations	8,581	8,581	8,581	8,581
R-squared	0.065	0.063	0.063	0.064

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 10. Impact of Campaign Outcome on ROE Performance
Panel A: Impact of Campaign Outcome on ROE in First Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+1	Model (2) ROE Y-1 to Y+1	Model (3) ROE Y-1 to Y+1	Model (4) ROE Y-1 to Y+1
Successful	0.0192			
	(1.169)			
Partially Successful		**-0.0801****		
		(-2.452)		
Unsuccessful			0.0118	
			(0.726)	
Withdrew Demands				-0.0273
				(-1.055)
Wolf Pack Dummy	-0.0131	-0.0127	-0.0135	-0.0130
	(-1.247)	(-1.205)	(-1.282)	(-1.232)
Long-term Debt to Total Assets	**-0.124****	**-0.122****	**-0.120****	**-0.122****
	(-2.420)	(-2.376)	(-2.348)	(-2.380)
Cash to Total Assets	-0.0402	-0.0381	-0.0385	-0.0395
	(-0.870)	(-0.826)	(-0.835)	(-0.856)
Natural Log of MV	**0.0154*****	**0.0141*****	**0.0139*****	**0.0143*****
	(4.319)	(3.992)	(3.812)	(4.035)
MTBV	**0.0435*****	**0.0433*****	**0.0433*****	**0.0434*****
	(7.475)	(7.441)	(7.445)	(7.460)
EBITDA/Sales	**-0.0115*****	**-0.0114*****	**-0.0115*****	**-0.0115*****
	(-16.94)	(-16.87)	(-16.85)	(-16.89)
Closely Held Shares	-0.0405	-0.0442	-0.0471	-0.0455
	(-0.953)	(-1.041)	(-1.105)	(-1.072)
Constant	0.0946	0.166	0.115	0.112
	(0.284)	(0.497)	(0.345)	(0.337)
Observations	8,581	8,581	8,581	8,581
R-squared	0.078	0.079	0.078	0.078

Table 10. Impact of Campaign Outcome on ROE Performance
Panel B: Impact of Campaign Outcome on ROE in Second Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+2	Model (2) ROE Y-1 to Y+2	Model (3) ROE Y-1 to Y+2	Model (4) ROE Y-1 to Y+2
Successful	-0.00620			
	(-0.356)			
Partially Successful		-0.0513		
		(-1.487)		
Unsuccessful			**0.0432****	
			(2.511)	
Withdrew Demands				**-0.0625****
				(-2.268)
Wolf Pack Dummy	-0.0118	-0.0109	-0.0111	-0.00986
	(-1.016)	(-0.934)	(-0.957)	(-0.846)
Long-term Debt to Total Assets	0.0620	0.0620	0.0695	0.0615
	(1.097)	(1.099)	(1.229)	(1.090)
Cash to Total Assets	**-0.177*****	**-0.177*****	**-0.176*****	**-0.177*****
	(-3.646)	(-3.639)	(-3.636)	(-3.655)
Natural Log of MV	**0.0317*****	**0.0315*****	**0.0293*****	**0.0309*****
	(8.183)	(8.229)	(7.411)	(8.036)
MTBV	**0.0133****	**0.0133****	**0.0132****	**0.0135****
	(2.410)	(2.406)	(2.387)	(2.438)
EBITDA/Sales	**-0.0460*****	**-0.0461*****	**-0.0461*****	**-0.0460*****
	(-32.23)	(-32.25)	(-32.26)	(-32.19)
Closely Held Shares	**0.0928****	**0.0943****	**0.0864***	**0.0922****
	(2.081)	(2.118)	(1.938)	(2.070)
Constant	0.0220	0.0545	0.0397	0.0262
	(0.699)	(0.173)	(0.126)	(0.0836)
Observations	8,581	8,581	8,581	8,581
R-squared	0.201	0.202	0.202	0.202

Table 10. Impact of Campaign Outcome on ROE Performance
Panel C: Impact of Campaign Outcome on ROE in Third Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+3	Model (2) ROE Y-1 to Y+3	Model (3) ROE Y-1 to Y+3	Model (4) ROE Y-1 to Y+3
Successful	**0.0373***			
	(1.798)			
Partially Successful		-0.0671		
		(-1.621)		
Unsuccessful			0.0165	
			(0.795)	
Withdrew Demands				**-0.0572***
				(-1.654)
Wolf Pack Dummy	0.0726	0.0747	0.0655	0.0764
	(0.506)	(0.521)	(0.456)	(0.532)
Long-term Debt to Total Assets	**0.180****	**0.184*****	**0.185*****	**0.187*****
	(2.553)	(2.607)	(2.624)	(2.643)
Cash to Total Assets	-0.0104	-0.0125	-0.0113	-0.0887
	(-0.180)	(-0.216)	(-0.196)	(-0.153)
Natural Log of MV	**0.0445*****	**0.0427*****	**0.0432*****	**0.0424*****
	(9.453)	(9.145)	(8.985)	(9.058)
MTBV	**-0.0999***	**-0.0103***	**-0.0102***	**-0.0101***
	(-1.706)	(-1.753)	(-1.738)	(-1.723)
EBITDA/Sales	**-0.0472*****	**-0.0472*****	**-0.0472*****	**-0.0472*****
	(-29.60)	(-29.64)	(-29.62)	(-29.61)
Closely Held Shares	-0.0682	-0.0750	-0.0749	-0.0750
	(-1.263)	(-1.392)	(-1.386)	(-1.393)
Constant	-0.0650	0.0100	-0.0401	-0.0338
	(-0.194)	(0.0298)	(-0.119)	(-0.101)
Observations	8,581	8,581	8,581	8,581
R-squared	0.228	0.227	0.227	0.227

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 11. Impact of Campaign Theme on Share Price Performance

Panel A: Impact on Share Price Performance in First Year (BHAR M-1 to M+12 months); sample size: 3145 successful campaigns

VARIABLES	Model (1)	Model (2)	Model (3)	Model (4)	Model (5)	Model (6)
Board-related	**-0.0641*** **					
	(-2.792)					
Balance Sheet		**-0.0665***				
		(-1.754)				
Business Strategy			-0.0253			
			(-0.556)			
M&A				**0.170*** **		
				(5.097)		
Other Governance					0.0315	
					(1.057)	
Remuneration						-0.0327
						(-0.489)
Wolf Pack Dummy	0.0335	0.0118	0.0122	0.0384	0.0142	0.0910
	(0.226)	(0.795)	(0.819)	(0.259)	(0.954)	(0.611)
Long-term Debt to Total Assets	0.0367	0.0362	0.0348	0.0346	0.0352	0.0340
	(0.543)	(0.536)	(0.514)	(0.513)	(0.520)	(0.503)
Cash to Total Assets	-0.0703	-0.0603	-0.0648	-0.0656	-0.0653	-0.0647
	(-1.113)	(-0.954)	(-1.026)	(-1.042)	(-1.033)	(-1.023)
Natural Log of MV	-0.0308	0.0134	0.0815	-0.0761	-0.0340	0.0856
	(-0.540)	(0.242)	(0.147)	(-0.138)	(-0.0604)	(0.154)
MTBV	-0.0123	-0.0190	-0.0159	-0.0188	-0.0158	-0.0168
	(-0.185)	(-0.285)	(-0.239)	(-0.284)	(-0.238)	(-0.252)
ROE	**0.0650*** **	**0.0655*** **	**0.0659*** **	**0.0636** **	**0.0660*** **	**0.0660*** **
	(2.616)	(2.632)	(2.649)	(2.567)	(2.652)	(2.652)
Closely Held Shares	-0.0472	-0.0386	-0.0433	-0.0578	-0.0415	-0.0420
	(-0.786)	(-0.641)	(-0.719)	(-0.965)	(-0.690)	(-0.699)
Constant	0.692	0.645	0.654	0.504	0.662	0.653
	(1.265)	(1.178)	(1.194)	(0.925)	(1.208)	(1.192)
R-squared	0.073	0.071	0.070	0.080	0.071	0.070

Table 11. Impact of Campaign Theme on Share Price Performance
Panel B: Impact of Campaign Theme on Share Price Performance in Second Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+24	Model (2) BHAR M-1 to M+24	Model (3) BHAR M-1 to M+24	Model (4) BHAR M-1 to M+24	Model (5) BHAR M-1 to M+24	Model (6) BHAR M-1 to M+24
Board-related	**-0.0886****					
	(-2.496)					
Balance Sheet		-0.0322				
		(-0.544)				
Business Strategy			-0.0144			
			(-0.210)			
M&A				**0.136*****		
				(2.659)		
Other Governance					0.0748	
					(1.624)	
Remuneration						-0.0526
						(-0.499)
Wolf Pack Dummy	**0.0863*****	**0.0861*****	**0.0863*****	**0.0884*****	**0.0891*****	**0.0863*****
	(3.587)	(3.574)	(3.562)	(3.675)	(3.691)	(3.580)
Long-term Debt to Total Assets	0.0503	0.0471	0.0464	0.0507	0.0464	0.0449
	(0.482)	(0.451)	(0.444)	(0.485)	(0.444)	(0.430)
Cash to Total Assets	-0.0735	-0.0644	-0.0665	-0.0649	-0.0677	-0.0662
	(-0.754)	(-0.660)	(-0.683)	(-0.667)	(-0.694)	(-0.679)
Natural Log of MV	0.0145	**0.0200****	**0.0197****	**0.0183****	**0.0173****	**0.0199****
	(1.641)	(2.320)	(2.297)	(2.134)	(1.980)	(2.315)
MTBV	-0.0115	-0.0122	-0.0121	-0.0122	-0.0120	-0.0122
	(-1.138)	(-1.206)	(-1.194)	(-1.212)	(-1.191)	(-1.209)
ROE	**0.0147*****	**0.0147*****	**0.0148*****	**0.0145****	**0.0150*****	**0.0148*****
	(2.591)	(2.591)	(2.603)	(2.548)	(2.639)	(2.609)
Closely Held Shares	**0.201****	**0.212****	**0.210****	**0.193****	**0.213****	**0.211****
	(2.141)	(2.250)	(2.228)	(2.054)	(2.263)	(2.242)
Constant	1.592**	1.538*	1.542*	1.420*	1.558*	1.538*
	(1.995)	(1.925)	(1.930)	(1.777)	(1.952)	(1.925)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.077	0.075	0.074	0.077	0.076	0.075

Table 11. Impact of Campaign Theme on Share Price Performance
Panel C: Impact of Campaign Theme on Share Price Performance in Third Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+36	Model (2) BHAR M-1 to M+36	Model (3) BHAR M-1 to M+36	Model (4) BHAR M-1 to M+36	Model (5) BHAR M-1 to M+36	Model (6) BHAR M-1 to M+36
Board-related	-0.0539					
	(-1.110)					
Balance Sheet		-0.125				
		(-1.544)				
Business Strategy			-0.0479			
			(-0.525)			
M&A				-0.0172		
				(-0.250)		
Other Governance					**0.212*** **	
					(3.333)	
Remuneration						-0.0173
						(-0.118)
Wolf Pack Dummy	**0.241*** **	**0.241*** **	**0.242*** **	**0.240*** **	**0.249*** **	**0.241*** **
	(7.107)	(7.111)	(7.116)	(7.089)	(7.345)	(7.092)
Long-term Debt to Total Assets	-0.0489	-0.0873	-0.0931	-0.0111	0.0635	-0.0108
	(-0.335)	(-0.599)	(-0.639)	(-0.763)	(0.436)	(-0.738)
Cash to Total Assets	**-0.381*** **	**-0.366*** **	**-0.377*** **	**-0.378*** **	**-0.365*** **	**-0.378*** **
	(-2.787)	(-2.678)	(-2.762)	(-2.770)	(-2.681)	(-2.769)
Natural Log of MV	-0.0252	0.0152	0.0665	0.0753	-0.0627	0.0668
	(-0.209)	(0.129)	(0.565)	(0.639)	(-0.526)	(0.566)
MTBV	-0.0215	-0.0226	-0.0216	-0.0215	-0.0223	-0.0217
	(-1.063)	(-1.122)	(-1.069)	(-1.064)	(-1.107)	(-1.075)
ROE	0.504	0.529	0.522	0.513	0.631	0.513
	(0.621)	(0.651)	(0.642)	(0.632)	(0.778)	(0.631)
Closely Held Shares	0.0986	0.111	0.100	0.104	0.117	0.103
	(0.759)	(0.853)	(0.771)	(0.802)	(0.904)	(0.789)
Constant	4.709***	4.668***	4.681***	4.698***	4.712***	4.681***
	(4.643)	(4.605)	(4.616)	(4.623)	(4.659)	(4.615)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.106	0.107	0.106	0.106	0.111	0.106

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 12. Impact of Campaign Theme on ROE Performance
Panel A: Impact of Campaign Theme on ROE Performance in First Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+1	Model (2) ROE Y-1 to Y+1	Model (3) ROE Y-1 to Y+1	Model (4) ROE Y-1 to Y+1	Model (5) ROE Y-1 to Y+1	Model (6) ROE Y-1 to Y+1
Board-related	-0.0227					
	(-0.799)					
Balance Sheet		0.0281				
		(0.592)				
Business Strategy			0.0383			
			(0.691)			
M&A				-0.0316		
				(-0.645)		
Other Governance					0.0327	
					(0.929)	
Remuneration						-0.0618
						(-0.786)
Wolf Pack Dummy	0.0293	0.0293	0.0281	0.0299	**0.0315***	0.0302
	(1.584)	(1.580)	(1.509)	(1.613)	(1.689)	(1.630)
Long-term Debt to Total Assets	**-0.200****	**-0.201****	**-0.201****	**-0.200****	**-0.202****	**-0.204****
	(-2.301)	(-2.303)	(-2.305)	(-2.301)	(-2.315)	(-2.337)
Cash to Total Assets	**-0.170****	**-0.168****	**-0.169****	**-0.168****	**-0.169****	**-0.168****
	(-2.225)	(-2.210)	(-2.212)	(-2.200)	(-2.216)	(-2.205)
Natural Log of MV	0.0104	**0.0115***	**0.0116***	**0.0120***	0.0107	**0.0121***
	(1.491)	(1.699)	(1.721)	(1.787)	(1.571)	(1.795)
MTBV	**0.0377*****	**0.0377*****	**0.0376*****	**0.0376*****	**0.0376*****	**0.0376*****
	(14.87)	(14.87)	(14.86)	(14.85)	(14.82)	(14.84)
EBITDA/Sales	**-0.0185*****	**-0.00185*****	**-0.0185*****	**-0.0185*****	**-0.0185*****	**-0.0185*****
	(-14.77)	(-14.76)	(-14.77)	(-14.75)	(-14.71)	(-14.72)
Closely Held Shares	-0.0537	-0.0547	-0.0502	-0.0516	-0.0524	-0.0520
	(-0.711)	(-0.723)	(-0.664)	(-0.683)	(-0.694)	(-0.687)
Constant	0.0465	0.0355	0.0351	0.0579	0.0382	0.0282
	(0.787)	(0.601)	(0.593)	(0.977)	(0.647)	(0.478)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.153	0.153	0.153	0.153	0.153	0.153

Table 12. Impact of Campaign Theme on ROE Performance
Panel B: Impact of Campaign Theme on ROE Performance in Second Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+2	Model (2) ROE Y-1 to Y+2	Model (3) ROE Y-1 to Y+2	Model (4) ROE Y-1 to Y+2	Model (5) ROE Y-1 to Y+2	Model (6) ROE Y-1 to Y+2
Board-related	-0.0216					
	(-0.722)					
Balance Sheet		0.0136				
		(0.277)				
Business Strategy			-0.0697			
			(-1.213)			
M&A				0.0312		
				(0.578)		
Other Governance					0.0363	
					(0.977)	
Remuneration						0.0184
						(0.217)
Wolf Pack Dummy	-0.0158	-0.0159	-0.0138	-0.0161	-0.0140	-0.0161
	(-0.785)	(-0.788)	(-0.679)	(-0.798)	(-0.691)	(-0.796)
Long-term Debt to Total Assets	-0.0340	-0.0371	-0.0367	-0.0369	-0.0340	-0.0372
	(-0.365)	(-0.399)	(-0.395)	(-0.397)	(-0.366)	(-0.400)
Cash to Total Assets	**-0.453*** **	**-0.451*** **	**-0.448*** **	**-0.452*** **	**-0.451*** **	**-0.451*** **
	(-5.610)	(-5.589)	(-5.552)	(-5.600)	(-5.586)	(-5.591)
Natural Log of MV	**0.0320*** **	**0.0333*** **	**0.0338*** **	**0.0330*** **	**0.0323*** **	**0.0333*** **
	(4.340)	(4.662)	(4.746)	(4.618)	(4.489)	(4.663)
MTBV	**0.0897*** **	**0.0900*** **	**0.0893*** **	**0.0893*** **	**0.0882*** **	**0.0901*** **
	(3.533)	(3.538)	(3.515)	(3.516)	(3.465)	(3.534)
EBITDA/Sales	**-0.439*** **	**-0.440*** **	**-0.439*** **	**-0.440*** **	**-0.439*** **	**-0.440*** **
	(-22.76)	(-22.76)	(-22.76)	(-22.76)	(-22.74)	(-22.76)
Closely Held Shares	**0.161** **	**0.161** **	**0.157** **	**0.158** **	**0.164** **	**0.162** **
	(2.060)	(2.058)	(2.004)	(2.020)	(2.106)	(2.071)
Constant	0.159	0.147	0.139	0.122	0.149	0.147
	(0.287)	(0.265)	(0.252)	(0.219)	(0.269)	(0.266)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.290	0.290	0.290	0.290	0.290	0.290

Table 12. Impact of Campaign Theme on ROE Performance
Panel C: Impact of Campaign Theme on ROE Performance in Third Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+3	Model (2) ROE Y-1 to Y+3	Model (3) ROE Y-1 to Y+3	Model (4) ROE Y-1 to Y+3	Model (5) ROE Y-1 to Y+3	Model (6) ROE Y-1 to Y+3
Board-related	-0.0205					
	(-0.598)					
Balance Sheet		0.0205				
		(0.367)				
Business Strategy			**-0.115***			
			(-1.807)			
M&A				0.0454		
				(0.743)		
Other Governance					0.0540	
					(1.280)	
Remuneration						-0.0288
						(-0.302)
Wolf Pack Dummy	0.0455	0.0440	0.0786	0.0357	0.0789	0.0466
	(0.195)	(0.189)	(0.336)	(0.153)	(0.336)	(0.200)
Long-term Debt to Total Assets	0.170	0.170	0.167	0.169	0.169	0.168
	(1.550)	(1.544)	(1.517)	(1.535)	(1.536)	(1.531)
Cash to Total Assets	-0.105	-0.103	-0.0967	-0.105	-0.102	-0.103
	(-1.122)	(-1.106)	(-1.037)	(-1.120)	(-1.092)	(-1.102)
Natural Log of MV	**0.0434*** **	**0.0445*** **	**0.0456*** **	**0.0443*** **	**0.0432*** **	**0.0449*** **
	(5.174)	(5.472)	(5.618)	(5.446)	(5.275)	(5.523)
MTBV	**0.0747*** **	**0.0747*** **	**0.0745*** **	**0.0747*** **	**0.0722** **	**0.0734*** **
	(2.659)	(2.658)	(2.657)	(2.662)	(2.571)	(2.604)
EBITDA/Sales	**-0.507*** **	**-0.508*** **	**-0.508*** **	**-0.508*** **	**-0.507*** **	**-0.508*** **
	(-23.24)	(-23.25)	(-23.28)	(-23.26)	(-23.20)	(-23.25)
Closely Held Shares	-0.107	-0.109	-0.116	-0.110	-0.105	-0.108
	(-1.194)	(-1.215)	(-1.295)	(-1.227)	(-1.165)	(-1.206)
Constant	-0.0676	-0.0173	-0.0276	-0.0534	-0.0144	-0.0221
	(-0.118)	(-0.302)	(-0.483)	(-0.930)	(-0.252)	(-0.386)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.346	0.346	0.348	0.347	0.347	0.346

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 13. Impact of Investor Type on Share Price Performance

Panel A: Impact of Investor Type on Share Price Performance in First Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+12	Model (2) BHAR M-1 to M+12	Model (3) BHAR M-1 to M+12	Model (4) BHAR M-1 to M+12	Model (5) BHAR M-1 to M+12
Primary Focus Activist	0.0120				
	(0.431)				
Partial Focus Activist		0.0398			
		(1.496)			
Occasional Focus Activist			-0.0127		
			(-0.470)		
Concerned Shareholder				**-0.0862****	
				(-2.300)	
Continual Focus					0.0675
					(0.218)
Wolf Pack Dummy	0.0822	0.0709	0.0948	0.0459	0.0758
	(0.551)	(0.477)	(0.635)	(0.307)	(0.507)
Long-term Debt to Total Assets	0.0355	0.0347	0.0365	0.0333	0.0355
	(0.524)	(0.512)	(0.538)	(0.492)	(0.524)
Cash to Total Assets	-0.0638	-0.0602	-0.0643	-0.0522	-0.0648
	(-1.009)	(-0.952)	(-1.017)	(-0.824)	(-1.025)
Natural Log of MV	0.0611	0.0119	0.0296	-0.0143	0.0313
	(0.110)	(0.215)	(0.526)	(-0.255)	(0.535)
MTBV	-0.0158	-0.0194	-0.0168	-0.0165	-0.0159
	(-0.237)	(-0.291)	(-0.252)	(-0.248)	(-0.240)
ROE	**0.0658*****	**0.0653*****	**0.0663*****	**0.0625****	**0.0659*****
	(2.646)	(2.624)	(2.662)	(2.512)	(2.648)
Closely Held Shares	-0.0396	-0.0358	-0.0399	-0.0212	-0.0418
	(-0.654)	(-0.593)	(-0.661)	(-0.349)	(-0.694)
Constant	0.655	0.601	0.657	0.658	0.658
	(1.197)	(1.096)	(1.199)	(1.203)	(1.201)
Observations	3,145	3,145	3,145	3,145	3,145
R-squared	0.070	0.071	0.070	0.072	0.070

Table 13. Impact of Investor Type on Share Price Performance
Panel B: Impact of Investor Type on Share Price Performance in Second Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+24	Model (2) BHAR M-1 to M+24	Model (3) BHAR M-1 to M+24	Model (4) BHAR M-1 to M+24	Model (5) BHAR M-1 to M+24
Primary Focus Activist	0.00524				
	(0.122)				
Partial Focus Activist		0.0109			
		(0.269)			
Occasional Focus Activist			-0.0248		
			(-0.581)		
Concerned Shareholder				-0.0208	
				(-0.345)	
Continual Focus					0.0221
					(0.468)
Wolf Pack Dummy	**0.0859*** **	**0.0857*** **	**0.0866*** **	**0.0865*** **	**0.0868*** **
	(3.562)	(3.559)	(3.589)	(3.577)	(3.588)
Long-term Debt to Total Assets	0.0468	0.0464	0.0488	0.0470	0.0481
	(0.447)	(0.444)	(0.467)	(0.450)	(0.460)
Cash to Total Assets	-0.0662	-0.0653	-0.0651	-0.0638	-0.0664
	(-0.678)	(-0.669)	(-0.667)	(-0.652)	(-0.681)
Natural Log of MV	**0.0196** **	**0.0198** **	**0.0188** **	**0.0193** **	**0.0184** **
	(2.284)	(2.304)	(2.159)	(2.220)	(2.035)
MTBV	-0.0120	-0.0122	-0.0122	-0.0121	-0.0121
	(-1.194)	(-1.203)	(-1.213)	(-1.198)	(-1.194)
ROE	**0.0148*** **	**0.0147*** **	**0.0149*** **	**0.0147*** **	**0.0149*** **
	(2.601)	(2.595)	(2.623)	(2.589)	(2.613)
Closely Held Shares	**0.211** **	**0.212** **	**0.215** **	**0.214** **	**0.212** **
	(2.238)	(2.249)	(2.281)	(2.262)	(2.249)
Constant	1.542*	1.527*	1.546*	1.543*	1.553*
	(1.931)	(1.907)	(1.935)	(1.931)	(1.944)
Observations	3,145	3,145	3,145	3,145	3,145
R-squared	0.074	0.074	0.075	0.074	0.075

Table 13. Impact of Investor Type on Share Price Performance
Panel C: Impact of Investor Type on Share Price Performance in Third Year Following Engagement Announcement

VARIABLES	Model (1) BHAR M-1 to M+36	Model (2) BHAR M-1 to M+36	Model (3) BHAR M-1 to M+36	Model (4) BHAR M-1 to M+36	Model (5) BHAR M-1 to M+36
Primary Focus Activist	0.00742				
	(0.129)				
Partial Focus Activist		-0.0135			
		(-0.244)			
Occasional Focus Activist			**-0.178*** **		
			(-2.950)		
Concerned Shareholder				**0.159***	
				(1.888)	
Continual Focus					**0.120***
					(1.855)
Wolf Pack Dummy	**0.241*** **	**0.240*** **	**0.246*** **	**0.235*** **	**0.245*** **
	(7.097)	(7.091)	(7.273)	(6.926)	(7.214)
Long-term Debt to Total Assets	-0.0102	-0.0966	0.0116	-0.0151	0.0105
	(-0.697)	(-0.663)	(0.800)	(-0.104)	(0.721)
Cash to Total Assets	**-0.378*** **	**-0.379*** **	**-0.365*** **	**-0.403*** **	**-0.371*** **
	(-2.761)	(-2.774)	(-2.675)	(-2.940)	(-2.717)
Natural Log of MV	0.0516	0.0328	-0.0529	0.0384	-0.0711
	(0.438)	(0.278)	(-0.444)	(0.323)	(-0.570)
MTBV	-0.0217	-0.0215	-0.0244	-0.0211	-0.0222
	(-1.073)	(-1.065)	(-1.210)	(-1.043)	(-1.099)
ROE	0.513	0.514	0.695	0.569	0.582
	(0.631)	(0.633)	(0.855)	(0.700)	(0.716)
Closely Held Shares	0.104	0.101	0.146	0.0743	0.113
	(0.797)	(0.773)	(1.117)	(0.569)	(0.868)
Constant	4.683***	4.702***	4.695***	4.677***	4.741***
	(4.617)	(4.622)	(4.639)	(4.616)	(4.676)
Observations	3,145	3,145	3,145	3,145	3,145
R-squared	0.106	0.106	0.110	0.107	0.107

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.

Table 14. Impact of Investor Type on ROE Performance
Panel A: Impact of Investor Type on ROE Performance in First Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+1	Model (2) ROE Y-1 to Y+1	Model (3) ROE Y-1 to Y+1	Model (4) ROE Y-1 to Y+1	Model (5) ROE Y-1 to Y+1
Primary Focus Activist	0.0347				
	(1.004)				
Partial Focus Activist		0.00881			
		(0.264)			
Occasional Focus Activist			-0.0361		
			(-1.075)		
Concerned Shareholder				-0.0647	
				(-1.437)	
Continual Focus					0.0357
					(0.981)
Wolf Pack Dummy	0.0302	0.0295	**0.0306***	**0.0324***	**0.0319***
	(1.628)	(1.592)	(1.648)	(1.741)	(1.707)
Long-term Debt to Total Assets	**-0.199****	**-0.201****	**-0.197****	**-0.203****	**-0.200****
	(-2.290)	(-2.308)	(-2.264)	(-2.332)	(-2.298)
Cash to Total Assets	**-0.165****	**-0.167****	**-0.167****	**-0.158****	**-0.168****
	(-2.162)	(-2.191)	(-2.191)	(-2.072)	(-2.207)
Natural Log of MV	**0.0115***	**0.0119***	0.0105	0.0103	0.00963
	(1.703)	(1.764)	(1.544)	(1.515)	(1.361)
MTBV	**0.0377*****	**0.0377*****	**0.0375*****	**0.0379*****	**0.0375*****
	(14.88)	(14.85)	(14.81)	(14.94)	(14.78)
EBITDA/Sales	**-0.0185*****	**-0.0185*****	**-0.0184*****	**-0.0187*****	**-0.0184*****
	(-14.78)	(-14.75)	(-14.64)	(-14.83)	(-14.66)
Closely Held Shares	-0.0462	-0.0515	-0.0456	-0.0373	-0.0516
	(-0.608)	(-0.679)	(-0.601)	(-0.489)	(-0.683)
Constant	0.0316	0.0207	0.0371	0.0328	0.0500
	(0.0535)	(0.0349)	(0.0628)	(0.0555)	(0.0846)
Observations	3,145	3,145	3,145	3,145	3,145
R-squared	0.153	0.152	0.153	0.153	0.153

Table 14. Impact of Investor Type on ROE Performance

Panel B: Impact of Investor Type on ROE Performance in Second Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+2	Model (2) ROE Y-1 to Y+2	Model (3) ROE Y-1 to Y+2	Model (4) ROE Y-1 to Y+2	Model (5) ROE Y-1 to Y+2	Model (6) ROE Y-1 to Y+2
Primary Focus Activist	0.0503					
	(0.142)					
Partial Focus Activist		0.0217				
		(0.613)				
Occasional Focus Activist			-0.0161	-0.0161		
			(-0.437)	(-0.437)		
Concerned Shareholder					-0.0719	
					(-1.486)	
Continual Focus						0.0300
						(0.796)
Wolf Pack Dummy	-0.0159	-0.0157	-0.0155	-0.0155	-0.0132	-0.0145
	(-0.785)	(-0.777)	(-0.766)	(-0.766)	(-0.651)	(-0.718)
Long-term Debt to Total Assets	-0.0376	-0.0367	-0.0341	-0.0341	-0.0408	-0.0334
	(-0.405)	(-0.395)	(-0.366)	(-0.366)	(-0.439)	(-0.358)
Cash to Total Assets	**-0.450*** **	**-0.449*** **	**-0.450*** **	**-0.450*** **	**-0.438*** **	**-0.450*** **
	(-5.581)	(-5.559)	(-5.582)	(-5.582)	(-5.407)	(-5.575)
Natural Log of MV	**0.0334*** **	**0.0339*** **	**0.0329*** **	**0.0329*** **	**0.0321*** **	**0.0316*** **
	(4.680)	(4.732)	(4.561)	(4.561)	(4.466)	(4.218)
MTBV	**0.0897*** **	**0.0899*** **	**0.0888*** **	**0.0888*** **	**0.0920*** **	**0.0882*** **
	(3.531)	(3.539)	(3.487)	(3.487)	(3.618)	(3.466)
EBITDA/Sales	**-0.0440*** **	**-0.0440*** **	**-0.0439*** **	**-0.0439*** **	**-0.0443*** **	**-0.0439*** **
	(-22.76)	(-22.76)	(-22.69)	(-22.69)	(-22.80)	(-22.68)
Closely Held Shares	**0.163** **	**0.165** **	**0.166** **	**0.166** **	**0.176** **	**0.165** **
	(2.076)	(2.110)	(2.112)	(2.112)	(2.242)	(2.113)
Constant	0.145	0.114	0.146	0.146	0.145	0.160
	(0.263)	(0.206)	(0.264)	(0.264)	(0.262)	(0.288)
Observations	3,145	3,145	3,145	3,145	3,145	3,145
R-squared	0.290	0.290	0.290	0.290	0.291	0.290

Table 14. Impact of Investor Type on ROE Performance
Panel C: Impact of Investor Type on ROE Performance in Third Year Following Engagement Announcement

VARIABLES	Model (1) ROE Y-1 to Y+3	Model (2) ROE Y-1 to Y+3	Model (3) ROE Y-1 to Y+3	Model (4) ROE Y-1 to Y+3	Model (5) ROE Y-1 to Y+3
Primary Focus Activist	0.0382				
	(0.953)				
Partial Focus Activist		-0.0618			
		(-1.504)			
Occasional Focus Activist			-0.0635		
			(-1.463)		
Concerned Shareholder				**0.109***	
				(1.916)	
Continual Focus					0.0231
					(0.543)
Wolf Pack Dummy	0.0390	0.0329	0.0664	0.0176	0.0562
	(0.167)	(0.141)	(0.284)	(0.0753)	(0.240)
Long-term Debt to Total Assets	0.171	0.170	0.182*	0.179	0.170
	(1.552)	(1.548)	(1.651)	(1.628)	(1.548)
Cash to Total Assets	-0.102	-0.107	-0.104	-0.124	-0.102
	(-1.088)	(-1.152)	(-1.115)	(-1.320)	(-1.092)
Natural Log of MV	**0.0443*** **	**0.0434*** **	**0.0426*** **	**0.0467*** **	**0.0433*** **
	(5.454)	(5.331)	(5.177)	(5.724)	(5.088)
MTBV	**0.0751*** **	**0.0741*** **	**0.00716** **	**0.0720** **	**0.0732*** **
	(2.675)	(2.643)	(2.548)	(2.565)	(2.601)
EBITDA/Sales	**-0.0508*** **	**-0.0506*** **	**-0.0505*** **	**-0.0503*** **	**-0.0507*** **
	(-23.27)	(-23.16)	(-23.09)	(-22.89)	(-23.18)
Closely Held Shares	-0.0984	-0.115	-0.0875	-0.123	-0.106
	(-1.090)	(-1.279)	(-0.964)	(-1.367)	(-1.175)
Constant	-0.0157	0.0687	-0.0126	-0.0220	-0.0772
	(-0.275)	(0.120)	(-0.220)	(-0.385)	(-0.135)
Observations	3,145	3,145	3,145	3,145	3,145
R-squared	0.347	0.347	0.347	0.348	0.346

Notes: The sample covers the period 2000 - 2020. *** indicates significance at the 1% level, ** indicates significance at the 5% level, and * indicates significance at the 10% level. We include year, industry and country fixed effects in each regression model. T-stats are reported in parentheses.