

Investor Relations Firms and Shareholder Activism¹

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Abstract

We study an unexplored role of Investor Relations (IR) firms: assisting public companies cope with shareholder activism. Using hand-collected data on IR firms and their publicly listed clients during 2003 to 2018 and shareholder activism campaign data for the sixteen-year period, we find that public companies that hire IR firms experience a significantly lower number of activism campaigns, have a higher probability of management winning against the activist, and have a higher likelihood of mutual funds voting with the management, compared to a matched sample. We also document two plausible channels through which IR firms help incumbent management cope with shareholder activism: (i) organizing key face-to-face meetings with institutional investors, and (ii) managing media.

JEL Classification: G14, G23, G32, G34

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