Managerial and Shareholder Activism

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Abstract of Dissertation

Managerial and Shareholder Activism

Agency costs, as a result of separation of ownership and control, have received vast attention in the literature. One important aspect of this separation is that shareholders do not have direct control over the decisions of managers. Dissatisfied groups may exert 'voice' to influence the decisions of the others within a company. In my dissertation, I analyze different aspects of `voice' with respect to agency problems within firms.

Chapter 1 "Managerial Activism" examines the effect of managerial voice, *i.e.*, managerial activism in the corporate sector by identifying a unique organization, Business Roundtable (BRT, henceforth), that consists of high profile CEOs within the U.S. that focuses on managerial activism through collective action. Specifically, I look at a number of empirical questions. First, I look at whether these managers use managerial activism, through this lobbying platform, to implement pro-manager policies or pro-business policies. Using a balanced sample of these managerially active firms and their matched peers, I observe that managers that involve in activism through collective action are more powerful and are paid more compared their peers but these firms also have more independent directors on their boards. Firms with activist managers are also less likely to face proxy fights from shareholders or hostile shareholder activism even though they are exposed to activism more intensely than other firms. I do not however find evidence that these firms perform poorly. Operating performance of firms with activist managers is similar to their peers. Thus, even though there is evidence that firms with activist

managers have more powerful CEOs who are paid more and face hostile shareholder pressures, they perform at par with their peers.

Next, I look at whether managerial activism has any defensive effect when firms are faced with activist shareholders. I observe that even though firms engaged in managerial activism face shareholder activism more intensely than comparable firms, shareholder campaigns involve relatively less proxy fights and hostile tactics from activist shareholders. This lets me conclude that activist shareholders avoid tension while targeting firms with activist managers and that activist managers and activist shareholders are able to resolve issues without resorting to hostile tactics.

This chapter also looks at the conflicts between shareholders and bondholders in firms with activist managers, especially when there is tension between shareholders and managers. To explore this issue, I look at stock market reaction to shareholder activism events. I observe that shareholder activism campaigns is considered to be increasing firm value in firms with activist managers only if these campaigns are not hostile. This result indicates that shareholders consider friendly shareholder activism campaigns as value increasing but do not find any value added in campaigns that are hostile to management. I look at the reaction in the credit market using Credit Default Swaps (CDS). Creditors respond to shareholder activism adversely but more so in non-managerially active firms, consistent with the notion that creditors consider managerial activism useful in mitigating wealth transfer from creditors to shareholders.

I next conduct a natural experiment using an exogeneous court decision that resulted in an unexpected win by BRT members and observe market reaction to this decision. I find that shareholders consider the success of managerial activism as value

decreasing in firms with activist managers. Looking at the credit market reaction, I see that the creditors of BRT firms and non BRT firms observe a decline in CDS spreads around the event date which suggests managerial activism success is considered to be comforting to creditors as the transfer of wealth to shareholders is less likely to happen. Finally, I consider the relationship between managerial activism and corporate social responsibility and observe that the socially responsible practices of BRT firms are generally comparable to their peers.

Overall, Chapter 1 looks at the implications of managerial activism for the firm by focusing on corporate governance, firm performance and shareholder activism aspects. The findings in the chapter suggest that, although activist managers are more powerful and are paid more, firms with activist managers have more independent directors on their board, performing at par with their peers and face relatively less hostile shareholder pressures.

Chapter 2 "Institutional Investment Horizon and Hedge Fund Activism" contributes to the debate of shareholder 'voice' by hedge fund activists by identifying investment horizon of other institutional investors as an important factor in explaining hedge fund activism. The chapter first considers the probability of a firm being targeted by hedge funds and identifies that this probability is strongly related to the investment horizon of its institutional investors, confirming the argument that hedge funds want to minimize free-riding and work with sophisticated institutional investors that have long-term investment horizons if their own goals are long-term. This result holds even after controlling for stock liquidity, which is related to investment turnover.

Second, I analyze campaign types demanded by hedge funds in relation to investment horizon. I find that hedge funds' activist campaigns vary with the investment horizon of the institutional investors. Campaign types that are related to increasing firm value or improved corporate governance are more likely to be seen in firms that have institutional investors with long-term investment horizons. On the other hand, firms with short-term investors are less likely to face campaigns related to corporate governance related requests or removing directors. I also look at whether blockholders of target firms change their holdings or exit based on the campaign type around activism events. I observe that blockholders are more likely to sell their holdings post activism in firms where institutional shareholders have long-term investment horizons most likely as a result of disagreement with the hedge funds. However, they are likely to side with activists when the campaign is for long-term value improvement.

Finally, I look at outcomes of hedge fund activism by examining firm performance, CEO characteristics, corporate governance characteristics, capital structure changes, spinoffs and divestitures. I observe that firms with institutional investors that have short-term investment horizons are likely to see no change in performance post activism that are targeted by hedge funds do not see a change in operating performance (or minimal improvement) compared to their peers three years post activism. Similarly, CEO incentives are more likely to increase and the spinoffs are more frequent for these firms. Also, targeted firms with institutional investors that have short-term investment horizons are more likely to be delisted. On the other hand firms with investors that have long-term investment horizons see a significant amount of improvement in operating performance post activism.

Overall, Chapter 2 examines a vital player in the corporate world and shareholder activism – institutional investors, by focusing on their investment horizon. This chapter shows that investment horizon of institutions has considerable effect on the probability of being targeted by hedge funds, the campaign types followed by hedge funds, as well as long-term value created when hedge fund activists are involved in a firm's decision making process.

Taken as a whole, the first essay demonstrates that managerial activism plays an important role in balancing out shareholder pressures that arise from shareholder activism. Even though activist managers are more powerful and paid more, they also balance out hostile shareholder pressures and do not destroy firm value. The second essay shows a key channel - investment horizon, which has significant impact on how hedge funds target and conduct business with corporations. The findings suggest hedge fund activism differs by the investment horizon of firms' institutional investors. Overall, both managerial activism and investment horizon of major investors are crucial factors in understanding the dynamics among important players in corporate finance.

Table of Contents

List of Tables

Chapter 1:

Chapter 2:

Chapter 1

Managerial Activism

Abstract

I analyze managerial activism in the corporate sector. I find that managers that are involved in activism through collective action are more powerful and are paid more, but these firms also have more independent directors on their boards. In addition, firms with activist managers are less likely to face proxy fights or hostile shareholder activism. Analyzing stock price reactions and credit default swap (CDS) spreads, I find that shareholder activism campaigns increase firm value in firms with activist managers only if these campaigns are not hostile. Using a natural experiment on managerial activism, I find that shareholders consider events that give more power to managers as value decreasing. On the other hand, the operating performance of firms with activist managers is similar to their peers.

1. Introduction

The growth in activist shareholder campaigns has been one of the major trends in corporate governance over the last 20 years. Shareholder activism poses new challenges to firms. In response to activist investors, some firms choose to *fight against activists' demands* (e.g., Red Zone LLC spent more than $3 million to gain control of the board in Six Flags Entertainment Corp), while others choose to *work with the activists* (e.g., Hess Corporation and Elliott Asset Management). Managers have always been aware of the collective power they have against certain issues. In this chapter I argue that the collective power of managers may help in balancing out the demands of shareholders. Managers can *collaborate together* with other managers and involve in managerially activist campaigns through lobbying efforts and lawsuits such as the Business Roundtable and the Chamber of Commerce against the SEC proxy access rules in 2010 and lobbying against hostile takeovers during the 1980s. While shareholder activism received a lot of attention, managerial activism aspect of modern corporate governance process has been virtually unstudied in the academic literature.

In this essay, I fill this gap by studying managerial activism through the lens of one important managerial collective action – firm involvement in Business Roundtable (BRT), an association of chief executive officers of leading U.S. companies working to influence U.S. public policy on corporate management and governance issues. BRT was established in 1972 and as of 2014 it included 206 companies with $7.2 trillion in annual revenues and more than 16 million employees.[1] The organization has been quite active in lobbying efforts on corporate governance issues such as takeovers during 1970s and

[1] www.businessroundtable.org

1980s and more recently on proxy access rules, as well as on business related issues such as increasing international trade, decreasing corporate tax rates, and increasing domestic workforce participation. Along these lines, examining U.S. firms that are BRT members presents valuable information about the underlying motivations and implications of managerial activism and its relationship to shareholder activism.

It is not unexpected to see why managerial activism is gaining importance. The increase in shareholder activism is evident even within the BRT member companies. Between 2008 and 2013 almost all BRT companies had an activist investor as identified by all hedge funds in Greenwood and Schor, (2009) and Sharkwatch 50.[2] In 2008 only one percent of these investors had an investment above 5 percent (blockholders) by the end of 2013, the percentage of companies with block ownership from these activist investors went up to four percent. Recently, in April 2015, a member of Business Roundtable, Qualcomm was put under pressure by Jana partners to either spin off or sell its chipset business.[3]

Managerial activism may occur in two ways. On the one hand, with power to shape pro-manager policies, managers may act to protect their private benefits of control, which may result in agency problems. This idea traces back to Berle and Means (1932), which is subsequently developed further by Jensen and Meckling (1976), Jensen (1983) and others. In line with this argument, BRT repeatedly voiced pro-manager agendas

[2] Sharkwatch 50 List as of May 2015 can be found here: http://www.factset.com/websitefiles/PDFs/hedgefund_ownership/hedgefund_ownership_5.20.15. Greenwood and Schor (2009) found that 11 hedge funds in their sample account for more than two thirds of the activist activity. These hedge funds are Farallon Capital, Steel Partners, Wynnefield, Blum Capital, Icahn Enterprises, Chapman Capital, Newcastle Partners, Jana Partners, Third Point, Pirate Capital and ValueAct Partners.

[3] "Activist Investor Jana Urges Split at Qualcomm," April 13, 2015, The New York Times DealBook http://www.nytimes.com/2015/04/14/business/dealbook/activist-investor-jana-urges-split-at-qualcomm.html?_r=0

indicating that corporations are not democracies[4] and by taking stances against rules that give more power to shareholders such as proxy access rule that BRT strike down in 2011 and "say on pay" rule that BRT lobbied against until it is passed into law in 2011.

On the other hand, managerial activism is useful in advocating pro-business policies that help businesses overall and may further benefit firms of these activist CEOs. For example, a $305 billion 5-year highway bill that is signed into law in 2015 creates substantial benefits for the businesses in general but particularly for the construction and construction equipment sector. This bill was advocated strongly by the CEO of Caterpillar (a major construction equipment firm and a BRT member), John Castellini, where he often cited the stance of BRT on this issue. Similarly, BRT included reauthorization of U.S. Export Import Bank (Ex-Im Bank, hereafter) as a priority, which has direct substantial benefits for Boeing (a BRT firm). Boeing has filled 14 percent of its orders through loan guarantees from Ex-Im Bank in 2014 and Boeing loans constituted 60 percent of Ex-Im Bank's loans in 2007 and 2008.[5] As illustrated, these activist managers, with a strong lobbying arm in BRT (above $19 million in 2015, according to Center for Responsive Politics) and coordination ability with other CEOs of major companies (comprising around 20 percent of US stock market capitalization, according to BRT website), shape business policies that increase competitiveness and create value for their firms.

[4] BRT president, John J. Castelleni said that "Unlike democracies, shareholder rights vary based upon the size of their investment, and by definition corporate decision making is not a democratic process." Testimony of John J. Castellini to the US House Financial Services Committee on "Empowering Shareholders on Executive Compensation: H.R. 1257, The Shareholder Vote on Executive Compensation Act*", March 8, 2007.*

[5] " See "Fix our transportation system now" by Doug Oberhelman, Chairman and CEO of Caterpillar, CNBC, 17 Sep 2015,"Pew Analysis Shows More Than 60 Percent of Export-Import Bank Loan Guarantees Benefited Single Company", PR Newswire, by Pew Charitable Trust, November 9, 2009. "Boeing strikes back hard at Export-Import bank opponents" by Clay Dillow, Fortune, August 25, 2015.

Given the advantages of managerial activism in advocating pro-business strategies and the disadvantages of managerial activism in increasing agency problems by giving more power to managers, it is important to understand how managerial activism plays out within the corporate sector.

To understand the motivation behind managerial activism through BRT membership, I analyze corporate governance, firm characteristics and firm performance of BRT firms relative to other similar firms as well as the dynamics between managerial activism and shareholder activism.

I employ different identification strategies throughout the chapter. The main strategy is to use a balanced sample of BRT firms that are matched with similar firms based on propensity scores and control for industry and year fixed effects. Additionally, I use an exogeneous event as a natural experiment to observe the stock market reaction and credit market reaction of BRT members and their matched peers around this event.

When I look at corporate governance structure of firms with activist managers, I find that BRT firms have more powerful CEOs. In terms of total compensation, they earn more as well. While this finding can be linked to weak corporate governance and pro-manager activism, other corporate governance characteristics of BRT firms do not indicate severe problems as these firms have governance practices comparable to their peers and have relatively more independent directors on their boards. Thus, while managers of these companies are powerful and extract some private benefits, their firms do not show extensive weak corporate governance.

Following the corporate governance structure, I explore the performance of these firms. On the one hand, being managerially active by serving on BRT may help firms

outperform their peers by shaping business policies that may give an edge to these firms. On the other hand, if activist managers act extensively to extract private benefits and increase agency costs for the firms as a result, then managerial activism may be detrimental to firm value. My analysis using "as is" and industry-adjusted results show that managerially active firms perform comparable to their peers, using various measures of firm performance. Thus, there is no evidence suggesting that activist managers extract private benefits and harm firm value. But on the other hand, they do not benefit their firms by following pro-business strategies that may benefit their firms above and beyond overall business sector creates long term value for their companies.

Next, I explore the dynamics between managerial activism and shareholder activism. I observe that firms engaged in managerial activism face less activist campaigns overall as well as less proxy fights and hostile tactics from activist shareholders. Hence, firms with activist managers are better able to discourage hostile shareholder activism. In one specification, I observe that the number of board seats obtained by activist shareholders of BRT firms is significantly less than their peers. Thus, I observe that managerial activism balances out overall activism campaigns as well as hostile shareholder activism tactics. These findings suggest that managerial activism may help with fending off activists which may be helpful especially if the activists have a short-term agenda.

To advance the understanding of the relationship between shareholder and managerial activism, I first look at stock market reaction to shareholder activism campaigns. If shareholder activism campaigns are considered to be value increasing, then the stock market should react positively to these events (Brav, Jiang, Partnoy and

Thomas, 2008; Klein and Zur, 2009). Similar to prior findings, I observe that both BRT and non-BRT firms' shareholders react positively to shareholder activism. However, firms that do not have activist managers react more positively and the difference is statistically significant. Considering friendly and hostile events, I see asymmetric responses to shareholder activism. Stock market reacts positively to friendly shareholder activism campaigns of firms involved in managerial activism, whereas there is no significant response to hostile campaigns in these firms. In firms that are not engaged in managerial activism, on the other hand, both friendly and hostile shareholder activism campaigns are considered positively by the stock market. These findings indicate that, in firms with activist managers, shareholders do not consider hostile shareholder attempts to be value increasing. This can be either because hostile shareholder campaigns represent conflicting agendas between shareholders and managers, which may not be value increasing; or the market views hostile attempts not likely to be successful in companies with activist managers. Overall, shareholders of firms engaged in managerial activism regard shareholder activism as value increasing only when these campaigns are worked out in a friendly manner with management. Hostile campaigns are considered not to be effective in these firms.

These findings are also evident when I analyze the cumulative abnormal returns with respect to the dynamics of various activism tactics and managerial activism. I observe the abnormal returns of BRT firms are significantly less when a hostile tactic or a board control campaign is announced by an activist and institutional blockownership is higher.

I next consider the performance and corporate governance, restructuring and payout characteristics of managerially active firms post shareholder activism. There are four possibilities that may affect the direction of the results. If managers are mainly interested in self-serving and shareholder activists also have short-term goals, then most likely, I will see a deteriorating performance post shareholder activism. If on the other hand, both activists and managers are interested in long-term value maximization, it is likely that I will see an improved performance post activism for managerially active firms. What happens if activists have short term goals and managers have long term goals and vice versa is not clear. Controlling for size and industry effects, I do not see an evidence of a performance improvement post shareholder activism for managerially active firms using various measures of firm performance. Even though capital expenditures increase, R&D seems to decrease as compared to their peers' R&D expenditures post activism which suggests tensions between managers and activists on long-term projects. Similarly, I do not observe any change in corporate governance structures or payouts and leverage levels post shareholder activism. Thus, managerially active perform similar to their peers post shareholder activism.

Managerial activism can also have implications on shareholder-bondholder conflict. As shareholder activism mainly serves the interest of equity holders, it raises concerns of possible debtholder wealth expropriation. Klein and Zur (2011) and Sunder, Sunder and Wongsunwai (2014) find evidence consistent with this argument by examining bond and loan markets. Specifically, Sunder, Sunder and Wongsunwai (2014) find that shareholder activism targeted to increased payouts or force the company to a merger leads to increased loan spreads. Managerial activism may help mitigate wealth

expropriation concerns of debtholders by being better equipped to resist shareholder pressures on payouts and mergers.

When I look at credit market reaction to shareholder activism, I observe that Credit Default Swap (CDS) spreads increase in response to shareholder activism both in firms with and without activist managers. The increase in CDS spreads, however, is less in firms that are engaged in managerial activism. This finding is consistent with the notion that activist managers may be better equipped to buffer short-term shareholder pressures that may increase the credit risk of the firm or that activist managers may moderate the risk of wealth transfer from debtholders to shareholders.

Subsequently, I use a natural experiment to look at managerial activism which conflicts with shareholder rights. I consider BRT's lawsuit against the SEC regarding the proxy access rules as a natural experiment (see Becker, Bergstresser, Subramanian, 2013), and examine market reaction to the unexpected win of BRT. On August 25, 2010, SEC announced the adoption of a shareholder proxy access rule to go in affect in the 2011 proxy season. BRT and U.S. Chamber of Commerce filed a complaint on September 29, 2010 and on July 22, 2011 BRT won the lawsuit against SEC striking down the proxy access rule. This unexpected win of BRT on an issue that was aimed to increase shareholder power provides a natural experiment on the success of managerial activism that is contradicting with shareholder rights.

When I look at stock market reaction to BRT's win, I observe that the stocks of BRT member firms react negatively to this event, whereas those of their peers do not show any significant response. Thus, shareholders consider managerial activism in stark contrast to shareholder power as value decreasing in firms with activist managers. This

finding indicates that while managerial activism is useful in balancing out hostile shareholder pressures so that managers can focus on long term firm value, managerial activism campaigns that are aimed to reduce shareholder power is considered to be value decreasing. Hence, managerial activism adds value to the firms when managers act in the best interest of shareholders and stock market differentiates between both types of events.

When I examine credit market reaction with respect to SEC's decision, I see that CDS spreads decrease on certain event windows in response to BRT's win irrespective of firm involvement in managerial activism. Spreads decrease relatively more in firms that are not engaged in managerial activism. Curbing shareholder power may be more important in companies without activist managers as these companies have fewer tools to deal with shareholder pressures which may lead to wealth expropriation from debtholders. Firms with activist managers may resist shareholder demands better and moderate wealth transfer risk.

Overall, the findings indicate that managerial activism is useful in resisting hostile shareholder pressures and help managers focus on long term firm value. Shareholder activism that is worked out in a friendly manner with management increases value in firms engaged in managerial activism. Managerial activism targeted to reduce shareholder power, on the other hand, is value decreasing. Creditors in general respond favorably to managerial activism, consistent with the argument that managerial activism may mitigate wealth expropriation by shareholders.

Finally, since one of BRT's objectives is to promote socially responsible policies, I also look at corporate social responsibility in relation to managerial activism. I find that corporate social responsibility practices of BRT firms are comparable to their peers.

Thus, being actively engaged in BRT in promoting socially responsible corporate policies do not result in significantly different practices in these firms.

I contribute to the literature on several fronts. Even though collective action of individuals and corporations has been analyzed in labor economics (Allin, 1953; Botero, Djankov, La Porta, Lopez-De-Silanes, Shleifer, 2004), and in corporate governance with respect to the resolution of problems among different stakeholders (Becht, Bolton, Röell, 2002; Mulherin, 2005), it has not been analyzed within the context of managerial and investors activism. To the best of my knowledge, this is the first essay to that looks at managerial activism. My essay also complements shareholder activism literature by studying the collective actions of managers – both overall and also in relation to shareholder activism, which sheds further light on the dynamics between shareholders and managers (Fluck, 1999; Schleifer and Vishny, 1986 and 1997; Grossman and Hart, 1986; Stulz, 1988).

The rest of the chapter is organized as follows. Section 2 describes Business Roundtable and membership to this organization. Section 3 provides an overview of the relevant literature. Section 4 lays out my hypotheses. Section 5 describes the sample and methodology. Sections 6 is on empirical results and Section 7 provides additional robustness analyses and Section 8 concludes.

2. Business Roundtable, History and Membership

Business Roundtable is an influential association of chief executive officers of major U.S. companies. It was established in 1972 by the merger of three different organizations, the March Group, Construction Users Anti-Inflation Roundtable, and the Labor Law Study Committee. According to its website, "[t]hese groups founded [BRT]

on the belief that in a pluralistic society, the business sector should play an active and effective role in the formation of public policy."

These companies are large, with $7.4 trillion in annual revenues and more than 16 million employees, and comprise more than a third of the total value of the U.S. stock market. Members of BRT include well-known prominent firms such as Qualcomm, International Business Machines (IBM), FedEx Corporation, Comcast, Honeywell International, and Oracle. On the other hand, Apple Inc. and Citrix Systems, for example, are not members of the Business Roundtable.[6]

BRT members focus on nine key policy issues by creating task forces and committees. The issues include corporate governance, education and workforce, energy and environment, health and retirement, immigration, technology, internet and innovation, international engagement, smart regulation, and tax and fiscal policy.

Business Roundtable has been criticized by many as a major contributor to the shift in power from shareholders to managers, and their CEOs were called as "activists".[7] Business Roundtable is the second most lobbying business association after U.S. Chamber of Commerce. According to Center for Responsive Politics, BRT spent $71.4 million on lobbying activities since 2007. Historically, BRT has lobbied against antitrust issues, takeovers, and more recently against shareholder proxy access rules. In 2010, BRT and the U.S. Chamber of Commerce filed a complaint alleging that the shareholder proxy access rule, supported by the SEC, would hurt their "members who are issuers of securities and will be injured by the challenged rule through, among other things,

[6] Business Roundtable has been used in legal, economic and financial research in the past. See for example, Becker et al., 2012; Fisch, 2013; Bebchuck, 2004; and Englander, 2008.
[7] See for example, *Big Business and Presidential Power from FDR to Reagan* by Kim McQuaid, 1982 and W*ashington's Business Roundtable Rebounds, Wall Street Journal, July 13, 2004.*

expensive proxy contests, the distraction of directors and management from the performance of their responsibilities, and loss in shareholder value due to the threatened or actual election of certain shareholder nominees using company proxy materials."[8]

Lately, BRT listed shareholder engagement, smart financial regulation and corporate governance that focuses on long term value creation as priorities of its corporate governance committee.[9] BRT indicates that "Business Roundtable believes enhanced, direct engagement with shareholders who are interested in a company's *long-term value* is beneficial to both the business and its investors. Business Roundtable supports reform of disclosure requirements that would better allow companies to provide investors with the material information needed to make effective *long-term investment* and voting decisions." In addition, BRT is a founding member of the *Shareholder Communications Coalition*, a coalition to improve the communication between shareholders and managers.

I gather BRT's policies under two categories which are also in line with my hypotheses. Below, I describe these two types of policies further.

Pro-Business Policies:

BRT provides their members a powerful platform to exert voice that benefits business community, their industries and their firms. With a strong lobbying arm and coordination with other CEOs of major companies, they have the ability to shape policies to increase their competitiveness.

[8] BUSINESS ROUNDTABLE and CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA v. SECURITIES AND EXCHANGE COMMISSION, initial brief filed Nov. 30, 2010.
[9] Business Roundtable, Corporate Governance Committee, http://businessroundtable.org/issues/corporate-governance/committee, March 7, 2016.

While these competitiveness measures may have implications for overall businesses in general, they may further benefit their sectors and companies. For example, BRT's mission to lower corporate taxes has broad implications to increase competitiveness of US firms in a global economy.[10] Another BRT matter, $305 billion 5-year highway bill (Fixing America's Surface Transportation Act) signed into law on December 4, 2015, is aimed to improve infrastructure and hence is useful businesses in general. It also has a more substantial positive impact on construction and construction equipment sector. The CEO of Caterpillar (a major construction equipment company and a BRT member), Douglas R. Oberhelman was as a supporter of the bill and voiced his support by citing BRT's position on this issue.[11] Reauthorization of the Export-Import Bank (Ex-Im Bank)[12] was also in the BRT agenda, which was signed into law together with the aforementioned highway bill. Ex-Im bank provides considerable amount of loans to Boeing, a BRT firm, (14 percent of Boeing's orders in 2014 were guaranteed by the ExIm bank)[13] and thus it is important for its competitiveness as indicated by its CEO,

[10] "Business Roundtable supports comprehensive tax reform for individuals and all businesses to improve economic growth and provide for a simpler and more efficient tax system… Business Roundtable urges Congress and the Administration to make tax reform a top priority for legislative action... Business Roundtable supports modernization of the corporate tax system, including setting a corporate tax rate at a competitive 25 percent rate and adopting a modern international tax system, financed through broadening of the corporate income tax base and other corporate offsets." *Tax Reform: Advancing America in A Global Economy, Business Roundtable*, October 2015.

[11] Oberhelman stated that "Because we know the increasing economic cost of lack of infrastructure investment, BRT is urging lawmakers to act, adding our voices to those already calling for a long-term, sustainable solution... As leaders of the largest U.S. companies, *BRT members constantly pull multiple levers to stay competitive*. When we get it right, we employ more people, buy more supplies from more suppliers, and create prosperity for families and communities..." See "Fix our transportation system now" by Doug Oberhelman, Chairman and CEO of Caterpillar, CNBC, 17 Sep 2015.

[12] ExIm bank is the United States' export credit agency that guarantees loans taken out by foreign companies to purchase goods exported from United States.

[13] "Pew Analysis Shows More Than 60 Percent of Export-Import Bank Loan Guarantees Benefited Single Company", PR Newswire, by Pew Charitable Trust, November 9, 2009. "Boeing and Obama sitting in a tree, K-I-S-S-I-N-G" by Timothy P. Carney, Washington Examiner, December 2, 2012.

Dennis Muilenburg.[14] Boeing CEO, together with GE and Caterpillar CEOs (all members of BRT) voiced strong support of the reauthorization of the bank, which was included as a priority for BRT agenda in 2015.[15]

Overall, managerial activism -voice and coordination through BRT- is useful for shaping pro-business policies that help activist firms to achieve direct benefits for their firms in addition to overall effects of these policies in the business sector. Thus, managerial activism through BRT has positive implications for increasing the competitiveness and performance of these firms in the market place.

Within their pro-business policies, BRT members also propose to act as role models to their peers in terms of social responsibility. The organization lists sustainability as a priority under its energy and environment task force and supports policies related to corporate social responsibility as can be seen on its website: "For more than a decade, Business Roundtable CEOs have been focused on working with policymakers, NGOs and consumers to strengthen communities and promote environmental stewardship … whether known as environmentalism, sustainability or corporate social responsibility, Roundtable members are committing to do the right thing – it's the way we do business."[16] The organization also publishes a report on sustainability every year and lists the members that commit to improving the quality of life in their communities with examples.[17] These reports summarize the sustainable policies the members have taken in

[14] "The apocalypse scenario that Boeing is spinning has little to do with near-term financing for its customers, but instead focuses on the company's long-term competitiveness without the financial backstop provided by Ex-Im." Dennis Muilenburg stated that "This is about long-term global competitiveness. And that's why we're so forceful on this topic that it's important Ex-Im be reauthorized." See "Boeing strikes back hard at Export-Import bank opponents" by Clay Dillow, Fortune, August 25, 2015.
[15] United States Senate Finance Committee Hearing on "Jobs and Economy" of John Engler, President of Business Roundtable, January 22, 2015.
[16] http://businessroundtable.org/issues/energy-environment/sustainability.
[17] Create, Grow, Sustain, People and Technology at Work, 2016 Report. Business Roundtable.

various categories including energy efficiency, waste reduction, renewable energy, water conservation and sustainable practices These actions may suggest that managerially active CEOs may use their powerful positions to set a good example.

Pro-Manager Policies:

BRT is a group of CEOs of major organizations, with substantial power through coordination and lobbying. These activist managers pursue policies that are pro-manager and thus may increase agency problems. For example, BRT president, John J. Castelleni said that "Unlike democracies, shareholder rights vary based upon the size of their investment, and by definition corporate decision making is not a democratic process." [18]

In line with this pro-manager perspective, among the issues that BRT takes stance against are say on pay rules that provide shareholders with an advisory vote on executive compensation (passed into law as part of Dodd-Frank Act on January 21, 2011), and proxy access rule that facilitates rights of shareholders to nominate directors by including their nominees in the company proxy materials. With respect to the proxy access rule, following SEC's decision to adopt it in August 25 2010, BRT, together with US Chamber of Commerce filed a petition against it and the U.S. Court of Appeals in Washington vacated this rule in July 22, 2011 (see Becker, Bergstresser, Subramanian, 2013; and Cohn, Gillan, Hartzell, 2016 for details), indicating an important success of managerial activism in shifting power to managers.

On the other hand, as corporate governance principles[19], BRT cites having more independent directors on the board and CEO compensation that align with long-term

[18] Testimony of John J. Castellini to the US House Financial Services Committee on "Empowering Shareholders on Executive Compensation: H.R. 1257, The Shareholder Vote on Executive Compensation Act*", March 8, 2007.*

[19] Principles of Corporate Governance, Business Roundtable, 2012.

value. All in all, these managerially active firms may be subject to more severe agency problems as their CEOs act to push policies that benefit themselves. Yet they also publish "best corporate governance practices" in their guidelines and have a committee on improving corporate governance practices, which is conflicting to a degree with their actions taken to benefit managers over shareholders.

3. Literature Review

The finance literature is based on the idea that if the interest of the managers and the shareholders are aligned (*i.e.*, if there are no agency costs) the value of the firm will be maximized (Easterbrook, 1984; Rozeff, 1982; Berle and Means, 1932; Jensen and Meckling, 1976; Myers and Majluf, 1984). However, since managers and shareholders have different goals, it is not always easy to determine which factors are in the best interest of both sides. In addition, there are different priorities among investors themselves. For example, some investors hold the firms' shares for long term whereas some others care only about real returns on their investment. Some have special interests like the unions and would like more say in managements' decisions and some would like to stay passive.

Since shareholders do not have direct control over the managements' decisions, if they become dissatisfied with the companies they invest in, they have three choices: 1) 'vote with their feet' and sell the shares (exit); 2) hold their shares and undertake actions to influence changes in the company (voice), or 3) hold their shares and do nothing (loyalty) (McCahery, Sautner, Starks, 2015; Hirschman, 1970). Corporate governance literature has analyzed the effects of various types of shareholder activism – especially 'voice' which includes communicating concerns, withholding votes from directors,

initiating proxy contests for electing alternative board members (See Edmans, 2014 for a review). But there is also a free rider problem among investors for the costly monitoring decisions as identified in Grossman and Hart (1980) and Shleifer and Vishny (1986). The shareholder that engages in costly monitoring could identify a value creating strategy. If a shareholder implements his/her strategy through intervention, other shareholders will also benefit from this. The current wave of engagement via voice is mainly conducted by shareholder activists that came into play within the past two decades after SEC in 1992 made changes to laws relaxing the constraints on communication among shareholders (Bradley, Brav, Goldstein, Jiang, 2010).

There is a growing literature on shareholder activism (see Brav, Jiang and Kim, 2010; Gillan and Starks, 2007; and Denes, Karpoff, and McWilliams, 2015 for a survey of literature). Some argue that activism is essential to have an effect on necessary managerial and board changes in companies that are underperforming.[20] Supporting this view, Smith (1996) analyzes firm characteristics that lead to shareholder activism and analyzes the effects of activism on operating performance using data from an institutional investor (CalPERS). He concludes that shareholder wealth increases for firms that settle or agree with the proposed changes by activists. Klein and Zur (2009) and Clifford (2008) find significant abnormal returns around filing dates using hedge fund activist data. Brav, Partnoy, Jiang and Thomas (2008) look at activist hedge funds in the U.S. and find positive effects of hedge fund activism on target firms. Bebcuck, Brav and Jiang (2015) extend this analysis in time and conclude that the long-term effects of hedge fund activism is also positive. Similarly, Brav, Jiang, and Kim (2015) find that manufacturing firms' performance increases after an activist makes an investment. On the other hand,

[20] Stephen Foley, "Shareholder Activism: Battle for the Boardroom," The Financial Times (April 23, 2014).

another strand of literature suggests that activism results in short-term gains at the expense of long-term firm value (Coffee and Palia, (2014) and Kahan and Rock (2007)).

Other more recent studies analyze spillover effects, relationship between hedge fund activism and different types of institutional owners, liquidity as well as activism in an international context. Gantchev, Gredil and Jotikasthira (2016) conclude that hedge fund activism has positive spillover effects not only on target firms but also on peers of these target firms as they conduct "do-it-yourself" activism to decrease being target by hedge funds and is an effective governance device. Similarly, Aslan and Kumar (2015) look at product market spillover effects of hedge fund activism and find that target's post activism improvements and rivals' improvements are commensurate and that these effects are more prominent in less concentrated and low entry barrier industries. A recent study by Iliev, Lins, Miller and Roth (2015) using data from 43 countries, confirms that activism as measured by shareholder voting is an important corporate governance mechanism. Norli, Ostergaard, Schiendele (2014) argue that activists may have to pay for the cost of activism (and minority shareholders may free-ride) but when stocks are more liquid, the free-rider problem decreases. Gantchev and Jotikasthira (2015) find support for the view that institutional holders' sale of stock allows hedge fund activists to quickly assemble a block and intervene. Iliev and Lowry (2015) and Appel, Gormley and Keim (2016) look at mutual funds and its relationship to hedge fund activism.

The literature that focuses on managers is extensive. Early literature suggests that managers create value for the firm, including long-term shareholders (Debreu, 1959; Friedman, 1970). Others focus on agency problems such as managers working on building their own empires at the expense of firm value maximization (Jensen, 1986;

Williamson, 1964), or having a quiet life especially when governance is weak (Bertrand and Schoar, 2003).

An additional channel that managers may use is voice through collective action, which I focus on in my first chapter. While collective action of individuals and corporations has been analyzed in labor economics (Allin, 1953; Botero, Djankov, La Porta, Lopez-De-Silanes, Shleifer, 2004), and in corporate governance with respect to the resolution of problems among different stakeholders (Becht, Bolton, Röell, 2002; Mulherin, 2005) it has not yet been studied within the context of shareholder activism.

4. Hypotheses

4.1. Pro-Manager Managerial Activism

Agency problems arise with the separation of ownership and control in a public company (Berle and Means, 1932; Jensen and Meckling, 1976). Managers can take actions that deviate from the interests of shareholders if they are not bearing adverse wealth effects from these decisions. Due to incomplete contracts, managers' residual rights of control can pave the way for self-interested behavior, managerial opportunism (Shleifer and Vishny, 1997). For example, in the free cash flow theory, Jensen (1986) shows that managers prefer to reinvest free cash even if it is a value decreasing project rather than pay it to shareholders. In empire building theory (Jensen, 1986; Williamson, 1964), managers engage in activities to increase the size of the firm in the expense of the value of the firm. Alternatively, as explored in Bertrand and Schoar (2003), when governance mechanism is weak, managers may prefer not to be active in increasing efficiency but rather follow a quiet life. Overall, the evidence shows that when managers

are opportunistic, they employ investment policies that serve their interests rather than those that increase firm value.

Managers can also alter incentive structure to benefit themselves. According to optimal contract theory, executive compensation is utilized as an instrument to align the interests of managers and shareholders such that agency costs are minimized (Ross, 1973; Holmstrom, 1979; Grossman and Hart, 1983). Yet, as explored in detail in Bebchuk, Fried and Walker (2002) and Bebchuk and Fried (2004), managerial compensation often deviates from that implied by optimal contracting due to factors such as captured board, ineffective monitoring and board dynamics among others. Self-serving managers can negotiate for higher compensation (Bebchuk and Fried, 2004), employ suboptimal investment policy so as to increase their pay (Yermack, 1997), or increase their perks such as the use of corporate jets for personal reasons (Yermack, 2006). Thus, managerial opportunism can manifest itself in managerial incentive deals or managerial perks in addition to value losses due to suboptimal investment policies.

Managers may increase their power in several ways. For example, they can be CEO and chairman (Adams, Almeida and Ferreira, 2005), adopt a large number of antitakeover amendments (Bebchuk, Coates, Subramanian, 2002; Gompers, Ishii, Metrick, 2003), have a weak board (Coles, Daniel, Naveen, 2008 and 2014; Adams and Ferreria, 2009) or have soft power (Bertrand and Schoar, 2003).

Here, I consider an alternative mechanism that increases the power of managers: collaborative action with other managers. In my study, collaborative action is carried out through membership to the Business Round Table, an organization that promotes pro-business policies and has been involved in activist campaigns such as lobbying and

lawsuits regarding corporate governance mechanisms, executive pay and proxy access rules.[21]

My hypothesis on pro manager activism builds on the argument that managers that are engaged in BRT increase their power against shareholders so as to follow their own interests. The collaborative action through BRT membership helps managers change business policies so as to benefit themselves at a loss for shareholders. For example, Monks (2007) discusses the heavy involvement of BRT against policies aimed at limiting executive pay and increase shareholder access to corporate board, such as the one I explore in this chapter. If BRT member managers lobby for these policies for their own benefits, then BRT member firms should be subject to the perils of managerial opportunism such as weaker corporate governance, lower firm values and higher managerial compensation.

4.2 Pro-Business Managerial Activism

Being a member of BRT increases the power of managers as they can act collaboratively with other managers to affect business policies that can have a direct consequence for their firms. While this collaborative managerial activism may potentially be carried out to increase the power of managers so as to make way for more self-dealing, it may also be used to improve business environment by lobbying for pro-business

[21] For example, BRT issued a report in 2007 laying out best practices to consider when deciding on executive pay. "Business Roundtable Executive Compensation Principles and Commentary," January 2007. http://businessroundtable.org/sites/default/files/20070130_ExecutiveCompensationPrinciples.pdf. In addition, Business Roundtable lobbied against/for many corporate governance issues such as issues related to commodities and futures market regulation under the Wall Street Reform Act of 2010 in 2014 and in 2013 the ERISA Section 404 relief related to the timing of fee disclosures.

policies. Indeed, BRT has been actively involved in improving business environment such as curbing corporate taxes and increasing trade with other countries.[22]

With a strong lobbying arm and coordination with other managers of major corporations, managerially active firms have substantial power in shaping policies that may give an edge to their firms or sectors. Given large resources and time devoted to this organization, the expectations should be that managers use this time and resources to increase firm value. In this regard, to the extent that managers act in the best interest of long term firm value (as stated in the corporate governance principles of BRT), BRT firms should be managerially active in pursuing policies that create value for their firms. Indeed, BRT's activism in reauthorization of Ex-Im Bank and approval of highway bill benefited its members, Boeing and Caterpillar, respectively. For example, On September 16, 2016, Business Roundtable sent a letter asking European Union heads of state to reconsider Ms. Vestager's ruling for Apple with respect to the decision for Ireland to collect up to €13 billion, plus interest from Apple for alleged illegal state aid.[23]

My pro-business managerial activism hypothesis is driven by managers acting in the best interest of shareholders to increase long term firm value where managers use activism as an important tool in shaping business policies in achieving this objective.

4.3 Shareholder Activism and Managerial Activism

[22] For example, BRT supported the 2016 Trans-Pacific Partnership, suggesting that trade with the proposed 11 countries would increase U.S. jobs and increase economic activity http://businessroundtable.org/media/news-releases/trade-trans-pacific-partnership-countries-supported-15.6-million-american-jobs.

[23] "Corporate America rallies to Apple's cause", *Financial Times*, September 16, 2016.

Recent years witness the golden era of shareholder activism (see Gillan and Starks, 2007; Edmans, 2014; Denes, Karpoff, and Williams, 2015 for a review).[24] While a large number of studies show that shareholder activism create value for firms (Clifford, 2008; Brav, Jiang, Partnoy and Thomas, 2008; Klein and Zur, 2009), some others indicate that short-termist agendas of shareholder activism may be detrimental for long term value (Bushee, 1998; Kahan and Rock, 2007; Coffee and Palia, 2014).

The main criticism that is directed to shareholder activism is short-termism. For example, Blackrock's CEO Larry Finn stated in a letter written to S&P 500 company CEOs on April 14, 2015 that "…[T]he effects of the short-termist phenomenon are troubling both to those seeking to save for long-term goals such as retirement and for my broader economy. In the face of these pressures, more and more corporate leaders have responded with actions that can deliver immediate returns to shareholders, such as buybacks or dividend increases, while underinvesting in innovation, skilled workforces or essential capital expenditures necessary to sustain long-term growth. … It is critical, however, to understand that corporate leaders' duty of care and loyalty is not to every investor or trader who owns their companies' shares at any moment in time, but to the company and its long-term owners. Successfully fulfilling that duty requires that corporate leaders engage with a company's long-term providers of capital; that they resist the pressure of short-term shareholders to extract value from the company if it would compromise value creation for long-term owners; and, most importantly, that they clearly and effectively articulate their strategy for sustainable long-term growth."[25]

[24] Over the 2010-2015 period, 15 percent of the S&P 500 has faced an activist campaign, and 50 percent had an activist shareholder. In 2014, 344 companies faced activist campaigns, more than double of that is observed a decade ago (see Activist Insight).
[25] Larry Fink, letter to the S&P 500 CEOs, April 14, 2015.

Similarly, 62 percent of the directors surveyed in the NYSE Governance Services 13th Annual Director Survey (March 2016) stated that directors believe shareholder activism has reinforced and rewarded short-termism, which can short-circuit decisions on more sustainable, long-term growth. As a result, if activist shareholders have a short-term horizon, then the policies forced upon managers such as increased payouts, share repurchases or divestitures may push up firm value in the short term in the expense of long term growth prospects. These policies may also increase the credit risk of the firm by affecting company's liquidity positions.[26] For firms that are concerned about adverse outcomes of shareholder activism, managerial activism through engagement in BRT provide a platform to resist shareholder pressures and act collaboratively to improve the business conditions that favor long term firm growth. According to this view, managers get involved in activism to operate with a long-term firm horizon and thus managerial activism should increase firm value, particularly for the long run.

I consider four outcomes for possible interaction of shareholder activism and managerial activism. They could both be short-termist, and have self-serving interests; they could both care about value maximization in the long-term; or one could have short-term goals and the other could focus more on value maximization. If they are both short-termist, then most likely the performance post activism would deteriorate and I could see

[26] General Motors agreed to repurchase $5 billion in stock in exchange for an agreement with Wilson and the fmy investment funds to drop the request for a seat on the board. GM officials determined that its $25 billion in cash was enough to fulfill spending plans and handle uncertainties. GM finance chief Chuck stated that $5 billion share buyback is good for GM owners as GM cannot earn better returns by investing that cash in the business at this time. Moody's considered the buyback a negative credit development, stating that it weakens GM's positioning at the current rating level and will likely delay any potential consideration for an upgrade. According to Moody's, the key credit risk was GM's decision to fund the repurchase by reducing the liquidity position of its automotive operations by about $5 billion while facing operational and financial challenges. (See "Activist Hedge Funds, Golden Leashes, and Advance Notice Bylaws**"** by Matteo Tonello, The Conference Board, January 7, 2016).

an increase in payoffs or a deteriorating governance structure for firms with pro-manager activists post shareholder activism. If, on the other hand both have long-term value maximization goals, it is more likely to observe an increase in firm performance and investment in long-term value creating projects such as R&D or capital expenditures. If one supports a short-termist view and the other cares about long-term, then the results are not as clear.

4.3. Shareholder Bondholder Conflict and Managerial Activism

Assuming that there are no frictions between managers and shareholders, shareholders and managers choose investment and financial decisions that maximize firm value and hence their own wealth. The managers' incentive structure is generally positively correlated to firm performance (Frydman and Jenter, 2010). Therefore, the upside of any risky investment, financing or payout decisions mostly goes to the shareholders with the loss being shared by bondholders (Viswanath, 2007). These decisions may lead to wealth transfer from bondholders, such as payouts that may reduce investment or deplete assets, or raising new debt which increase the risk of old debt (Jensen and Meckling, 1976; Myers, 1977; and Kalay, 1982).

Recent rise of shareholder activism brings out the question of whether shareholder pressures may lead to a wealth transfer from bondholders to shareholders. The current literature supports this argument. Klein and Zur (2011) find that hedge fund activism adversely effects bond ratings and bond yields of target companies. Sunder, Sunder and Wongsunwai (2014) indicate that shareholder activism targeted to increase payouts or force the company to merger leads to increased loan spreads.

When there are fewer mechanisms to resist shareholder pressures, wealth expropriation from bondholders becomes more likely. Managers that act in the best interest of long term shareholders may resist these pressures, especially if they are driven by short term agenda, and as a result, may help mitigate wealth transfer from bondholders to shareholders. Managerial activism through BRT membership is one of these mechanisms that allow firms to collaborate on business polices and carry out activist campaigns and lawsuits so as to balance out pressures from shareholders. In this regard, managerial activism should be considered favorably by creditors.

On the other hand, increasing power of managers through involvement in managerial activism may be used for pro-manager purposes to further exacerbate wealth expropriation risk for bondholders. In this case, debtholders should be concerned about managerial activism.

4.4. Corporate Social Responsibility and Managerial Activism

There is a recent focus on the effects of corporate social responsibility (see Margolis, Elfenbein and Walsh (2009) for a survey). Among related studies, Dimson, Karakas and Li (2015) look at a large institutional investor committed to socially responsible investment, which actively engages with the firm related to these practices. They mainly focus on environmental and social areas and find that firms that are more likely to be engaged and implement policies on these areas are the ones that are large, mature and with reputational concerns. They also find these engagements to be more successful when other shareholders or asset managers collaborate on these issues. There is positive stock market reaction on engagements that were successful, and operating performance improves after successful engagements. They conclude that corporate social

responsibility increases stakeholder value when they are successful and does not destroy value otherwise.

BRT is an important player in corporate social responsibility as well. Among its priorities, sustainability, environment, education and workforce development are included. Thus, engagement in BRT may be helpful in promoting corporate social responsibility in the firms that are BRT members.

5. Data and Methodology

I identify companies that are members of the BRT from publicly available sources. The first source is an archived system of the Internet, which stores snapshots of the Business Roundtable's web site at different points in time. I also conduct an extensive search and identify documents where the lists of members are provided. As a result, members of the BRT are identified for each year between 2008 and 2014.

These firms are then matched to COMPUSTAT. I obtain corporate governance data from ISS (RiskMetrics), institutional holdings data from Thomson Reuters 13F Database, executive compensation data from Execucomp, stock price data from CRSP, CDS data from Bloomberg, shareholder activism data from FactSet's Sharkwatch database, and corporate social responsibility data from KLD Database. I use the intersection of COMPSUTAT and ISS as my main sample and require that all control variables and variables required for matching are non-missing. My final sample before matching is carried out consists of 911 firm-year observations that belong to BRT member firms and 8,787 observations to non-member-firms. Variable definitions are in Appendix 1.

A main issue that faces studies looking at effects of managerial activism on firm value is that firms that are managerially active might be doing well for other reasons than activism or they become a part of BRT because they do well already. In this regard, I use several strategies. First, I carry out the study within a matched sample so as to mitigate the issue that the BRT member firms are different than other firms and thus not results are driven by other factors. Second, I use industry and year fixed effects in all specifications to eliminate any additional factors that may drive the results. Third, I separately use a quasi-natural experiment to look at stock and credit market reaction when managerial activism is successful.

To form a matched sample, I follow a similar methodology as in Brav, Jiang, Partnoy, and Thomas (2008) and Campello, Graham and Harvey (2010). Within the sample that does not engage in BRT (non BRT) sample, I seek companies similar in size, beginning of period Tobin's Q and from the same industry. I exclude any firm from the control sample if they were a member of the BRT for a year or longer. Since the membership to BRT may be influenced by a decision that is unobservable, I conduct my analysis on a *balanced* sample of BRT firms. For each year, I run a propensity score matching model for BRT membership on the balanced sample of BRT firms using size, Fama-French 12 industry indicators and beginning of period Tobin's Q as independent variables. I use the three nearest neighbors to the match and satisfy common support assumption to increase matching accuracy. The common support assumption removes the BRT firms for which there is no good match. This process is suggested by Heckman, Ichimura and Todd (1998) and used by many in the literature Campbello Graham and Harvey. (2010); Li and Zhao (2006); Drucker and Puri (2005). Final matched sample

includes 60 BRT firms and 115, 110, 114, 108, 107, 109, 121 matched firms for each year between 2008 and 2014, respectively.

Table 1 gives descriptive statistics for Business Roundtable member firms and non-member firms. The results indicate that member firms are larger, older, their CEOs are more likely to be the chairman of the board, their CEOs' total compensation is higher however their option awards are similar to their peers. These firms have larger boards, they receive more proposals from shareholders and have a higher number of institutional owners. These member firms seem to be more socially responsible. In addition, these firms are more likely to be targets of activist campaigns but are less likely to give activists a board seat.

In Appendix 2, I summarize the types of Fama French 12 industries represented by the member firms in my sample and their market capitalization (I also divide them by year in Appendix 3). BRT firms are large in term of market capitalization and mainly belong to manufacturing, business equipment and financial industries. Their combined market capitalization increases more than 60 percent between 2008 and 2014. In 2009, the BRT members' combined market capitalization was more than eight times the market cap of all other Compustat companies. There is also slight variation in the industry composition of the members. Between 2008 and 2014, the percentage of companies in financial industry decreased from 21 percent to 16 percent and the percentage of Business Equipment companies increased from 10 percent to 14 percent. Manufacturing companies' percentage also slightly decreased during this time frame however manufacturing is still one of the highest percentages within the sample (between 13 to 18 percent). In addition, even though the change in membership is low, Microsoft

Corporation was a member from 2009 through 2014 and Yahoo Inc. member from 2009 through 2013 but Apple, Inc. is not a member. Appendix 4 provides a probit regression to understand the determinants of BRT membership. As discussed, these firms are larger and they come from many different industries.

In all estimations, I control for firm size, beginning of period Tobin's Q, free cash flow indicator, leverage and intangible assets. Brav, Jiang, Partnoy and Thomas (2008) find Tobin's Q and size as important determinants of shareholder activism. Similar to Masulis and Reza (2015) I use free cash flow indicator to capture a CEO's empire building incentives. Intangible assets are defined as one minus the ratio of plant, property and equipment divided by total assets as in Cremers, Giambona, Sepe and Wang (2015). Tobin's Q is calculated as the market value of assets (total assets plus market value of equity minus book value of equity) divided by the book value of assets. Firm size is the natural logarithm of total assets, and leverage is calculated as total debt of the firm scaled by total assets. I include leverage as a control variable similar to Masulis and Reza (2015) and think of leverage as a governance variable that measures creditor incentives to monitor the firm.

To examine managerial activism, I mainly estimate the following equation:

$$Y_{i,t} = a + b(Managerial\ Activism)_{i,t} + bX_{i,t} + s_t + z_i + \varepsilon_{i,t} \qquad (1)$$

In above equation, Y corresponds to the dependent variables that are explored: corporate governance, shareholder activism/tactics, firm performance, firm distributions and corporate social responsibility. Managerial activism is an indicator variable that takes a value of one if a firm is a member of BRT and zero otherwise. *X* is a matrix that includes control variables of firm size, growth opportunities as measured by Tobin's Q,

free cash flow indicator, leverage and intangible assets. In the equation, *s* refers to time dummies and *z* refers to industry dummies based on 2 digit SIC codes. The indices *i* and *t* correspond to firm *i* in year *t*. Standard errors are clustered by 2 digit SIC industry.

In order to ensure that I need the time and industry fixed effects, I conduct an F-test on the joint significance of industry fixed effects and time fixed effects for various models that I run and I confirm the need to account for industry and time invariant effects.[27]

To consider the market reaction to managerial activism, I also carry out event studies based on stock returns and credit default swap (CDS) returns, which are discussed in detail in section 6.4.

6. Results

I look at managerial activism through BRT membership and analyze corporate governance, firm performance and the dynamics between managerial activism and shareholder activism. Exploring these issues helps us understand the role of managerial activism in the corporate sector.

6.1. Corporate Governance

How does managerial activism relate to corporate governance mechanisms? If BRT membership is mainly driven by pro manager policies, BRT firms should have weak corporate governance mechanisms. If, on the other hand, managerial activism is carried out to protect long term firm value by collaborative action of managers, then firms that

[27] I run my regressions on the balanced matched sample for CEO Chairman indicator, total compensation, E-index, independent percentage, ROA, and ROE. Then I conduct a joint F test on the industry and time dummies. The p-values from the F-Statistics I retrieve for all these specifications are greater than zero.

are involved in managerial activism may have good corporate governance mechanisms in place.

To examine corporate governance characteristics, I first focus on the relation between managerial activism and CEO characteristics. I consider CEO-chairman duality, CEO tenure, CEO compensation both total and separately just looking at bonus and salary and value of options as the ownership structure may affect the incentive motives of managers. CEO-chairman duality is found to be related with weaker corporate governance and firm performance (See Bertrand, 2009; and Adams, Hermalin and Weisbach, 2010 for a review). Li, Lu and Phillips (2014), on the other hand, find that powerful CEOs increase firm value by better reacting to product market challenges. As for CEO tenure, Hermalin and Weisbach (1991) discuss that firms with CEOs with a tenure longer than 15 years have lower performance. The literature on CEO compensation suggests that compensation increases when the objectives of a manager are not fully aligned with shareholders' (Jensen and Murphy, 1990) or when managers are powerful (Bebchuk and Fried, 2004). The evidence on the relation between CEO ownership and firm value is mixed (see Himmelberg, Hubbard and Palia (1999), Morck, Shleifer and Vishny (1988) and McConnell and Servaes (1990) among others). With respect to CEO Ownership, Himmelberg, Hubbard and Palia (1999) find no relationship between managerial insider ownership and firm value. Morck, Shleifer and Vishny (1998) and McConnell and Servaes (1990) on the other hand find a hump-shaped relation between Tobin's Q and inside share ownership. Following, Kim and Lu (2011) show that the relation between CEO ownership and firm performance depends on the strength of external governance factors and that high CEO ownership could result in managerial

entrenchment. CEO incentive structures based on options are also analyzed in the literature. Especially since the increase in executive compensation is mainly tied to stock options (Bertrand, 2009 and Yermack, 1995). Even though Yermack (1995) does not find much evidence of a link between various agency based compensation theories and CEO options, Mehran (1995) suggests CEOs whose pay structure is more equity based (such as options) are more likely to perform better.

I next consider corporate governance variables related to managerial entrenchment, board characteristics and shareholder characteristics. In this regard, I look at Bebchuk, Cohen, Ferrell (2009) entrenchment index (E-index, henceforth) which has been used in corporate governance research to measure managerial entrenchment (see for example, Masulis, Wang and Xie, 2012; Fahlenbrach, 2009). Bebchuck, Cohen and Ferrell (2009) show that there is a negative association between E-index and firm performance and valuation. With respect to the size of the board, Jensen (1993) and Lipton and Lorsch (1992) suggest that larger boards could be less effective because of coordination problems and free riding. Yermack (1996) on the other hand provides evidence that smaller boards are associated with higher Tobin's Q. Coles, Daniel and Naveen (2008) conclude that complex firms with more advising needs require bigger sized boards and there is a u shaped relationship between board size and firm value resulting from the complexity of the firm. Boone, Field, Karpoff and Raheja (2007) track board development from IPO through 10 years later and show that board size increases as firms grow and diversify over time. The literature also analyzes the role of institutional investors as corporate monitors.

One of the main issues in corporate governance lies on understanding whether large blockholders or shareholders can help with ameliorating agency problems. Under the takeover context, Grossman and Hart (1980) talk about the free rider effects within a takeover context by showing the different values that may be created post-takeover and how this new value may affect the takeover attempt to be a public good. Shleifer and Vishny (1996) provide a partial solution to the free rider problem and show that under certain circumstances large shareholders could bring value increasing changes to corporations. McConnell and Servaes (1990), Smith (1996) and Del Guercio and Hawkins (1999) all have found evidence consistent with the hypothesis that corporate monitoring by institutional investors can result in managers focusing more on corporate performance and less on self-serving behavior. On the other hand, Maug (1998) notes that institutions' use of their ability to influence corporate decisions is partially a function of the size of their shareholdings. Buyers of stock see a value in block ownership (Barclay and Holderness, 1989). In addition, the debate over whether block ownership increases value or not has not yet been settled (See Edmans, 2014 and Holderness, 2003 for a review). Demsetz and Lehn (1985) find a negative relationship between blockholders and firm equity value but no relationship between accounting rate of return and block ownership. On the other hand, Morck, Shleifer and Vishny (1988) find that firm value increases as stock ownership increases to 5 percent and then decreases from 5 to 25 percent. McConnell and Servaes (1990) show an inverse u relationship with positive correlation between Tobin's Q and insider block ownership until the ownership reaches to 50 percent. Mehran (1995) concludes that there is no significant relationship between firm performance and outside block ownership. Another question within

mitigating agency theory risks relates to independent directors. Looking at outside directors, Rosenstein and Wyatt (1990) find that appointment of an outside director increases firm value. Weisbach (1998) reports that CEO turnover is more highly correlated with firm performance in corporations having a majority of outside directors than in those where insiders predominate, implying that outside directors are important in monitoring management. Further, Hermalin and Weisbach (1991) find that outsiders are more likely to join a board after a firm performs poorly or leaves an industry suggesting a need for additional outside guidance when a shift in strategy is required. Similarly, Kaplan and Minton analyze Japanese outside director appointments to large non-financial corporations and find that such appointments increase with poor stock performance and earnings losses and performance improves slightly for these firms after appointments however, the same results do not hold for U.S. firms. Duchin, Matsusaka and Ozbas (2010) utilize regulation requiring some companies to increase outside directors and find that effectiveness of these directors depend on the cost of acquiring information about the firm. Masulis and Mobbs (2011) conclude that firms with directors that hold outside board appointments in other firms are value increasing.

The results on CEO characteristics and other corporate governance characteristics are in Table 2, Panels A and B, respectively. The results in Panel A indicate that BRT member firms have more powerful CEOs as observed in CEO-chairman duality. CEOs of BRT firms are paid more, have similar option awards and have lower stock holdings. The percentage of total shares owned is lower compared to the control sample after controlling for size. Managerially active CEOs are less likely to be founders of the firms and have less tenure. In Panel B, looking at the board structure, I observe that BRT firms

have more independent directors on their boards whereas board size is not different than their matched peers. Institutional ownership is less in BRT firms but block ownership is comparable to their matched peers. Entrenchment index is also not different than matched firms.

Overall, the evidence indicates that while firms engaged in managerial activism have more powerful CEOs that are paid more, corporate governance of these firms are mostly comparable to their peers.

6.2. Firm Performance

As discussed in Section 6.1 firms that are engaged in managerial activism have powerful CEOs and pay more to their CEOs. If these findings indicate that managers act in the interest of themselves by increasing their power and using this power for pro-manager policies, this may have a detrimental impact on the operating performance of these firms. On the other hand, if managers are working for the best interest of long term shareholders by focusing on pro business policies the managerially active firms should benefit from these policies more and should have better operating performance. To examine this issue, I look at operating performance of firms that are BRT members in relation to matched firms.

For firm performance, I use five different measures. I look at return on assets (ROA) and return on equity (ROE) as well as three-year forward and backward looking ROA averages and a 3 year forward average operating profit measure (EBITDA/Assets). The results are in Table 3. The results suggest managerially active firms perform no differently than their peers. Same results hold when I use industry-adjusted averages. Thus, firms involved in managerial activism are similar in performance to their peers. In

columns 7 and 8 of Panels A and B of Table 3, I consider whether the R&D expenditures and the capital expenditures of these firms differ. I don't find any evidence of a different spending on R&D and capital expenditures.

Overall, the findings indicate that managers that are active and not are similar in terms of performance. As a result, I can not conclude from my findings that managerial activism supports the pro manager hypothesis.

6.3. Shareholder Activism

Managerial activism may add value to a firm on several fronts. Among them, activist managers may be better equipped to deal with pressures of activist shareholders. This would be improving firm performance if these demands are driven by short-term agenda.

There is a growing literature on shareholder activism (see Gillan and Starks, 2007; Edmans, 2014; Denes, Karpoff, and Williams, 2015 for a review). A strand of literature finds that shareholder activism is increasing firm value (Clifford, 2008; Brav, Jiang, Partnoy and Thomas, 2008; Klein and Zur, 2009). Another strand of literature suggests that activism results in short-term gains at the expense of long-term value in companies (Bushee, 1998; Kahan and Rock, 2007; Coffee and Palia, 2014). Activists that target companies for short term gains may ask for increase in payouts or force companies to hostile mergers which may not be value increasing in the long-run. In such a setting, managerial activism that is focused on long-term horizon (pro-business managerial activism) would add value to a firm by balancing out these pressures of short-termist shareholder activists.

I start exploring shareholder activism by focusing on all activist campaigns as reported in the Sharkwatch database. I give special emphasis to contested types of activism such as proxy fights, hostile tactics and activists asking to place a board member to a firm's board. These contested activism campaigns have the most tension between management and shareholders, and thus are well suited to examine the dynamics between managerial activism and shareholder activism.

Proxy fights are expensive for shareholders. Shleifer and Vishny (1986) suggest that it is not in the interest of a large shareholder to pursue a proxy fight. However, SEC's 1992 reforms made it easier for shareholders to communicate during proxy fights and less costly (Bradley, Brav, Goldstein, and Jiang, 2010). As a result, there has been an upward trend (FactSet). Klein and Zur (2009) find that entrepreneurial activists, rather than initiating proxy fights, use it as a threat but do see that 12 percent of hedge fund activists and 8 percent of other entrepreneurial activists do in fact initiate a proxy fight.

Another contested activism involves hostile tactics such as hostile offers, lawsuits, tender offers and "fight letters". Brav, Jiang, Partnoy and Thomas (2008) find that the abnormal returns are significantly higher than abnormal returns on non-hostile events. These events support evidence for lower success rates but also higher negotiations. The authors suggest that hostile tactics are more likely to be used when the perceived resistance from management is higher. My definition of hostile tactic is along the lines of Brav, Jiang, Partnoy and Thomas (2008). I gather the information from the Sharkwatch database.

I also consider the cases where shareholder activists ask for a board seat through their campaigns. Gow, Shin and Srinivasan (2014) focus on activists that obtain board

seats and observe that these activists remain as shareholders for a longer period of time and firm value increases. However, when shareholders obtain board seats, there is also evidence of increased divestiture, lower cash balances, higher leverage, higher CEO turnover and lower CEO compensation.

For shareholder activism I use: (i) activist campaigns; (ii) proxy fights; (iii) hostile tactics; and (iv) board seats won by activists. For activist campaigns I consider all the campaigns that are in the Sharkwatch database. However, I take the first campaign within a given year to remove the spillover effects of activism similar to Gantchev, Gredil and Jotikastira (2016). The results are in Table 4. As indicated in Table 4, firms that are involved in managerial activism are subject to more activism campaigns but less proxy fights and hostile tactics from activist shareholders. There is no difference in the total number of board seats received by BRT firms compared to their matched peers. Thus, managerial activism helps to fend off hostile shareholder activism but does not act as a counterbalance for overall activism. This evidence suggests that managerial activism balances out hostile shareholder activism and may be beneficial for the firm if managerial activists pursue pro-business policies.

6.4. Market Reaction to Shareholder Activism

Shareholder activism is living its golden era. If shareholder activism, as discussed in Brav, Jiang, Partnoy, Thomas, 2008; Klein and Zur, 2009; Bebchuk, Brav and Jiang, 2015; Brav, Jiang, Kim, 2015, lead corporations to operate more efficiently and employ better corporate mechanisms in place, then market reaction to shareholder activism campaigns should be positive. If on the other hand, there are concerns about shareholder activism (Kahan and Rock (2007); Coffee and Palia (2014)), there should be a negative

reaction to shareholder activism. To explore this issue, I look at both stock market and credit market reaction.

6.4.1. Stock Market Reaction

Shareholder activism increases the power of shareholders by giving them more opportunities to be involved in the corporate decision making process either through proxy fights or with board seats among others. If these activism campaigns increase shareholder's wealth, stock market should react positively to shareholder activism campaigns. Managerial activism may balance out shareholder activism. Accordingly, shareholder activism in firms that are engaged in managerial activism may be different that those that are not.

I look at this issue by examining stock market reaction to all shareholder activism campaigns as well as friendly and hostile shareholder activism campaign tactics, separately. I compute cumulative abnormal returns using an event study methodology around shareholder activism campaigns using Fama-French 3 factor value weighted as well as equally weighted returns.[28]

In order to form the event study, let $t = 0$ represent the time of the event. For each sample security i, the return on the security for time period t relative to the event, R_{it}, is:

$$R_{it} = K_{it} + e_{it} \qquad (2)$$

Where K_{it} is the predicted return and e_{it} is the error term. I then calculate the abnormal return. The literature uses different expected return models to calculate K such

[28] Kothari and Warner, 2007 provides an excellent discussion of event studies.

as market models or capital asset pricing models. The cross sectional mean of abnormal returns is calculated using the following equation:

$$AR_t = \frac{1}{N} \sum_{i=1}^{N} e_{it} \quad (3)$$

Here N represents the number of securities in the sample and *i* and *t* are for security and time period, respectively. I test whether the cumulative mean abnormal returns around event dates are significantly different from zero. When I have a horizon of two dates t_1 and t_2, I calculate the cumulative abnormal returns (CARs) as follows:

$$CAR_{t1,t2} = \sum_{i=t1}^{t2} AR_t \quad (4)$$

The results from the event study analyses are in Table 5. In Panel A of Table 5, stock market reaction to shareholder activism is positive in firms that are engaged in managerial activism (members of BRT) as well as those that are not engaged (not members of BRT). However, the reaction is stronger in firms that are not involved in managerial activism. This evidence suggests that shareholders of managerially active firms find shareholder activism valuable on average, but less so than firms without activist managers. This result may suggest BRT firms' managers already act in accordance with the interests of its shareholders supporting the pro-business activism hypotheses and as a result, the gain from intervention might not be as much.

In Panels B and C of Table 5, I differentiate between friendly and hostile shareholder activism campaigns. Hostile campaigns are the ones where activist shareholders employ one of the following tactics: proxy fight, hostile offer, lawsuit, tender offer, unsolicited offer, and fight letter. All other remaining activist events are

considered friendly.[29] Firms that are not involved in managerial activism respond positively to both friendly and hostile shareholder activism, indicating that they find activist shareholder campaigns to be value increasing. When I look at managerially active firms, I find that shareholders respond positively only to shareholder campaigns with friendly tactics. There is no significant reaction to hostile shareholder activism.[30] This evidence is consistent with the notion that shareholders do not find hostile activism to be value increasing in firms that are involved in managerial activism. The reason can be that shareholders either think that hostile campaigns will not be successful as activist managers are better able to fend off these campaigns, or that shareholder activism that is in conflict with management is not likely to increase firm value. This finding supports pro-business activism argument in the sense that shareholders respond positively to shareholder activism only when it is friendly to the management, and do not have any reaction to those that are hostile. Thus, shareholders consider managers to have a pro-business agenda when they are involved in activism and do not consider shareholder activism hostile to management to be value increasing.

In order to understand which factors may explain the dynamics between managerial activism and the CARs, I regress the CARs on different activism campaigns and corporate governance characteristics. The results are shown in Panels A and B of Table 6. Similar to the results in Table 5, the abnormal returns are positive for all firms when the intention of the activist is hostile or wants a board seat. However, the shareholders of managerially active firms are less worried.

[29] Friendly activism includes tactics such as publicly disclosed letters to the management, calling a special meeting, or proposing a precatory proposal.
[30] One should note that sample size is small for hostile tactics.

6.4.2. Firm Performance and Firm Characteristics Post Shareholder Activism

It would be important to understand the dynamics between the firm performance of managerially active firms and their matches after the activist intervention. In order to conduct this analysis, I look at the difference between various measures of firm performance, corporate governance, leverage and payouts one year before and one and two years after the activism event, respectively. The results are shown in Table 7 Panels A, B and C. The literature suggests improvements in firm performance after the hedge fund activist intervenes (Brav, Jiang, Partnoy, Thomas, 2008).[31] I do not see an improvement post shareholder activism other than an increase in intangible assets. I also do not see a separate improvement for BRT firms post shareholder activism. R&D decreases for these firms one and two years after the activism event. Only capital expenditures increase.

When I look at the corporate governance changes (in Panel B of Table 7), I observe that post shareholder activism, the difference between the entrenchment index of firms decline. However, there is no separate effect for managerially active firms. CEOs of managerially active firms become more powerful as measured by CEO Chairman duality two years after activism although this finding is not robust.

In Panel C of Table 7, I want to understand whether there is a change in firm leverage, dividend yields and total payouts. I do not observe any difference in levels between managerially active firms and their peers post shareholder activism.

Overall, these findings suggest that firm characteristics for managerially active firms, with the exception of R&D and capital expenditures, do not change after

[31] In my analysis, I use all activism events not just hedge fund activism.

shareholder activism. I can argue that shareholder activism overall does not have a positive or detrimental effect on managerially active firms.

6.4.3. Credit Market Reaction around Shareholder Activism

Shareholder activism has the potential to create shareholder-bondholder conflicts. Shareholders following activist agendas can expropriate wealth from debtholders by increasing payouts or forcing company to mergers (Sunder, Sunder and Wongsunwai, 2014). Managerial activism may help mitigate debtholder wealth expropriation concerns as managers are better equipped to resist shareholder pressures that may lead to wealth transfer from debtholders.

The market for credit derivatives has experienced spectacular growth in the last decade. From a total notional amount of $600 billion in 1999, this market grew to $17 trillion by 2006. The development of this market has been widely credited as the source of substantial improvements to the financial system and the economy. Credit default swaps are the most liquid of the credit derivatives. The literature and policy makers have argued that CDSs lower the cost of firms' debt financing by allowing investors new hedging opportunities (Ashcraft and Santos, 2007).

A CDS is defined as an insurance contract against losses incurred by creditors in the event that a debtor defaults on its debt obligations. As in a swap, as part of the contract, the protection buyer pays a premium (the CDS premium) to the protection seller, in exchange for a payment from the protection seller to the protection buyer if a credit event occurs on a reference credit instrument within a predetermined time period. Common credit events are bankruptcy, failure to pay, and, in some CDS contracts, debt

restructuring or a credit-rating downgrade.[32] As explained in Cornett, Mehran, Pan, Phan and Wei (2014), when the market perceives that the probability of a debt default decreases (increases), the spread charged on the CDS decreases (increases). CDS spreads have widely been used in the literature to measure credit risk as some argue that CDS spreads are a pure measure of credit risk as compared to bond spreads (Longstaff, Mithal, Neis, 2005; Callen, Livant, Segal, 2009).

I use CDS spreads in an event study type methodology to analyze the abnormal changes in spreads around shareholder activism campaigns. Event study techniques using CDS spreads are widely used in the literature. For example, Hull, Predescu and White (2004) conduct an event study using mean adjusted CDS spreads to understand whether Moody's rating announcements are anticipated by market participants. Jorian and Zhang (2007) calculate rating adjusted CDS spreads and analyze the effect of the deterioration in the creditworthiness of an issuer on its peers. Shivkumar, Urcan, Vasvari and Zhang (2011) use an event study methodology and calculate market adjusted CDS spread changes using CDS contracts within the same credit rating group during the same event window. The authors are interested in credit market's response to management earnings forecasts.

I retrieve the 5 Year CDS spread (end of day mid spread) from Bloomberg. CDS spreads are end of the month credit rating matched market index (investment grade or high yield) adjusted and are measured in basis points. Daily spread changes are index adjusted spread changes from a day before. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given

[32] Markit Credit Indices, A Primer, November 2008; Bolton, Oehmke (2013).

period. The analysis is conducted for firms that have observations for all days and the difference between trading dates is less than a week.

I examine the change in CDS spreads around shareholder activism campaigns in relation to managerial activism so as to explore the reaction of debtholders using methodology similar to an event study. In order to risk adjust these spreads, I merge the CDS data with corresponding credit rating data for each company from I/B/E/S and the High Yield and Investment Grade Markit indices from Thomson DealScan database. Market adjusted abnormal spread for each security is calculated as in Wei and Yermack (2010). The abnormal CDS spreads are computed as the difference of risk adjusted CDS spreads for the dates around shareholder activism. The results are provided in Table 8. I look at overall shareholder activism as well as friendly and hostile activism campaigns, separately. Panel A of Table 8 show that there is an adverse reaction to shareholder activism in the credit markets, more so in firms that are not involved in managerial activism. Thus, shareholder activism is considered to increase the possibility of wealth expropriation or increase credit risk by possibly decreasing liquidity positions, especially when firms do not have activist managers that can resist shareholder pressures.

Panels B and C of Table 8 give results for hostile and friendly shareholder activism campaigns, respectively. CDS spreads increase in response to hostile shareholder activism in firms that are engaged in managerial activism as well as in firms that do not have activist managers with one event period being significantly more in managerially active firms. These results suggest that debtholders are concerned about the possibility of hostile activism campaigns to be successful in firms with activist managers and possible wealth expropriation by shareholders.

In response to friendly shareholder campaigns, on the on the other hand, CDS spreads increase mainly in firms without activist managers and the increase in spreads is higher for firms that are not involved in managerial activism. Hence, shareholder activism that is not conflicting management creates concern for debtholders as these campaigns are likely to be successful, which increases the possibility of wealth expropriation by shareholders in companies without activist managers. If companies have activist managers, the adverse reaction of creditors is subsided, suggesting that creditors consider firms involved in managerial activism to have better ability to balance out shareholder pressures. Firms without activist managers, on the other hand, are more likely to be driven by activist shareholder demands and thus wealth transfer from debtholders to shareholders is more likely.

In Table 9 Panel A, I regress the abnormal CDS spreads on major tactics/ campaign types initiated by activists to understand which one plays a role in explaining the abnormal returns. I also consider the dynamics between managerially active firms and these tactics/campaign types. If an activist announces an intention to maximize value, the CDS spreads increase suggest a dislike by the creditors to this news. However, BRT member firms' creditors do not show a significant reaction. Similarly, in Table 9 Panel B, I regress the abnormal CDS spreads on various corporate governance and firm characteristics. CDS spreads decrease when activism is announced and the CEO has high total compensation and high stock options. Bondholders may find the activist intervention a positive thing when the CEO is highly paid. CDS spreads increase, on the other hand when the firm has higher institutional ownership. Similar to stockholders, bondholders

may be concerned when an activist comes in if the firm has a high level of institutional ownership. The results don't show any significance for BRT firms however.

Overall, the results indicate that shareholder activism campaigns elevate wealth expropriation concerns for debtholders but these concerns are more contained when firms have activist managers. Wealth transfer from debtholders to shareholders do not seem to be an issue for creditors when shareholders follow friendly agendas in firms with activist managers.

6.5. Managerial Activism Reducing Shareholder Power: A Natural Experiment

The evidence I document so far indicates that managers create long term value for firms by taking an activist role and thus being better equipped to deal with pressures that may arise from activist shareholder campaigns among others especially if these pressures have short-term agendas. However, if managerial activism is employed in a way that severely conflicts with shareholder power, then managerial activism may be value decreasing. I explore this question by looking at a specific event where managerial activism is carried out to increase manager power and decrease shareholder power.

I consider one of the most recent ambitious lobbying activities of BRT against the SEC regarding shareholder proxy access rules as a natural experiment in examining managerial activism conflicting shareholder power. The SEC initially proposed a shareholder proxy access rule in 2003. Under this rule, shareholders would gain the right to place one or more nominees on a company's proxy statements if one of these two events were triggered: (1) more than 35 percent of votes had been cast for one or more directors; or (2) a majority vote was received for a shareholder access proposal, proposed by a shareholder group that had held at least 1 percent of company's shares for at least

one year. However, Business Roundtable and other lobbying groups initiated lobbying efforts against this rule. By 2005, SEC issued a series of no-action letters permitting companies to omit shareholder proposals based on the proposed rule (Becker, Bergstresser, Subramanian, 2013; Cohn, Gillan, Hartzell, 2016).

After the approval of the Dodd-Frank Act in July 2010, the SEC announced the adoption of a Final Rule 14a-11 mandating proxy access at all U.S. public companies to go into effect in the 2011 proxy season (August 25, 2010). However, Business Roundtable and the U.S. Chamber of Commerce filed a complaint on September 29, 2010 alleging that these rules were unlawful under the U.S. Securities laws. On October 4, 2010 SEC unexpectedly decided to delay the ruling on proxy access. On July 22, 2011 the rule was struck down. This win by the BRT was also unexpected. This event is discussed in detail in Becker, Bergstresser, Subramanian (2013).

Here, I consider BRT winning the lawsuit on July 22, 2011 as a successful managerial activism campaign that is carried out against shareholders, which weakens corporate governance practices. Since this event is unexpected, it provides an exogenous shock on managerial activism and also allows me to look at the effects of managerial activism that reduces shareholder power. Specifically, I look at how firms in BRT sample reacted to this news in comparison to the matched sample. It is important to note that, when BRT filed lawsuit (September 29, 2010), their action was expected and thus stock market likely has already incorporated this event. Yet, BRT's win of the lawsuit is unexpected and as a result I focus on BRT's win. Similar to shareholder activism campaigns, I look at both stock market and credit market reactions to this event. The

results are in Table 10 Panel A and Panel B gives results for stock market CARs and CDS spreads, respectively.

Panel A of Table 10 shows that around the date of BRT's win (July 22, 2011), there is a negative stock market reaction for BRT member firms. Thus, shareholders view managerial activism that works against shareholders as detrimental to firm value mainly in firms that are involved in managerial activism.[33] There is no significant reaction in firms that are not involved in managerial activism.[34] Overall, this finding indicates that managerial activism employed against shareholders have adverse effects on these firms.

Next, I look at CDS spread reactions to BRT winning the lawsuit on proxy access rule on July 22, 2011. Panel B of Table 10 shows that creditors respond to this event favorably as indicated by decline in CDS spreads. The decline is significantly more in firms that are not involved in managerial activism for [-1,+2] and [0,+2] event windows. Since firms that have activist managers are better able to balance out shareholders, debtholders are less concerned about shareholder pressures that can lead to wealth transfer from debtholders. When firms do not have activist managers, on the other hand, debtholders are more exposed to shareholder wealth expropriation. Thus, an event that increases managerial power and decreases shareholder power is considered more favorably in firms that are not involved in managerial activism.

On the whole, the evidence shows that shareholders find managerial activism that is employed against shareholders as detrimental to firm value. Creditors, on the hand, consider managerial activism that curb shareholder power favorably, and more so in

[33] I also look at the time that BRT filed lawsuit (August 25, 2010). Since this event was expected, it does not constitute a natural experiment. I do not observe any stock market reaction as the expectation of this lawsuit should be already incorporated in the markets.

[34] In daily abnormal returns, I also see a negative abnormal price reaction for non-BRT members but cumulatively the effect is insignificant.

firms that do not have activist managers with the ability to resist shareholder pressures. Thus, even though managerial activism overall has positive effects on operating performance and balance out shareholder pressures, when managerial activism is carried out to reduce shareholder power, it decreases firm value.

6.6. Corporate Social Responsibility

I look at corporate social responsibility practices of the firms that are involved in managerial activism by BRT membership. BRT states corporate social responsibility as one of their objectives and publishes annual reports on their involvement in "developing innovative products that enrich lives, employing socially responsible business practices that strengthen communities, taking action to improve education, protecting the environment or enhancing economic opportunity".[35]

There is an increased focus on the effects of corporate social responsibility.[36] Among recent studies, Dimson, Karakas and Li (2015) look at a large institutional investor committed to socially responsible investment and look at their engagement actions in public companies. Here I look at whether collaboration among activist managers is associated with implementation of socially responsible corporate practices in these firms.

To examine this issue, I use the Corporate Social Responsibility Index (CSR, henceforth) from KLD Research and Analytics. To examine CSR, I either look at the value of the CSR index or the value of one of the CSR subindices. The subindices

[35] See for example, 2013 Business Round Table report "Create, Grow, Sustain: How Companies are Doing Well by Doing Good".

[36]Benabou and Tirole (2010) suggest CSR may impact managers' myopia and can help with minimizing intertemporal losses. Baron (2007) shows that CSR is costly if there is no perfect substitute (substitution between corporate and personal social giving).

considered are environment, community, diversity, employees and product. These subindices are the sum of respective indicators of a company, which represent its strengths and weaknesses in a given CSR area. For example, for the environmental subindex, a company's strengths might include indicators such as pollution prevention, recycling, clean energy and weaknesses might include indicators for hazardous waste liabilities, regulatory problems and use of ozone depleting chemicals. The results are provided in Table 11.

There is no significant difference in overall corporate social responsibility practices of firms involved in managerial activism compared to those that are not involved. However, BRT firms have better community and diversity subindices as compared to their matched peers.

Overall, although BRT states that corporate social responsibility as one of its objective, corporate social responsibility practices of these firms are only better when I look at the community and diversity subindices. Overall CSR index is not different which suggests BRT firms focus on certain areas of CSR more than their peers but overall the social responsibility aspect remains similar.

7. Robustness Checks

7.1. Residuals Analysis

In order to check the validity of my regressions, I conduct a residual analysis on the various models that I run. Since I use various dependent variables, I randomly select a few specifications and conduct the residuals analysis to make sure that they are normally distributed, there are no outliters and heteroscedasticity issues. I look at the distribution of residuals, plot the predicted values against residuals and analyze the outliters. My

results for each model can be found in Appendix 5. Each row title represents the model that the residuals are retrieved from. In column 1, I plot the distribution of residuals as compared to a normal distribution. Even though there are a few outliers in Executive Compensation and Independent percent residuals seem to be skewed to the left, overall, the residual from the various models seems to be distributed normally.

The second column plots the residuals against the fitted values from the regression to understand if there are any hetersoscedasticity issues. I do not observe a relation between predicted values and the residuals that suggests heteroscedasticity other than the EBITDA model. The last two columns look at normality in the middle range of residuals and the extremes, respectively. Capex to PPE model and the Industry Adjusted ROE may suggest some divergence from normality in the middle ranges of residuals. However, the extremes seem to be relatively normally distributed.

Overall, for the many models that I run, the residuals seem not to violate the regression conditions. I already use robust standard errors in all my regressions. I also run the regression for executive compensation by winsorizing the outliers at five percent and look at the residuals for this updated specification. The results do not change. (Appendix 9).

7.2. Alternative Specifications

7.2.1. Full Sample Results

So far, my analysis has focused on applying methods that may remove the endogeneous factors from my analyses. However, I also conduct analyses with the full sample (the intersection of Compustat and Execucomp) without any matching to see what

the results would look like. My results for the full sample are provided in Tables A.6.1 through A.6.11 of Appendix 6.

Table A.6.1. provides descriptive statistics for the full sample. In table A.6.2. which looks at managerial activism and corporate governance, I see that CEOs are strong and their compensations are higher. They have less institutional ownership and more independent directors. These findings are very similar to the findings I reported in prior sections using a balanced matched sample.

When I look at performance differences, in table A.6.3. Panels A and B showing performance of BRT and non BRT firms with and without industry adjusted values, I see that BRT firms perform better than their peers in terms of profitability as measured by ROE.

The shareholder activism results from before also hold for the full sample. Table A.6.4 shows that managerially active firms are more likely to receive activist campaigns but are less likely to get hostile tactics such as proxy fights. They are also less likely to give board seats to activists although this result is not robust.

Looking at the market reaction around shareholder activism, firms' abnormal returns increase around these events as can be seen in Table A.6.5 Panel A. However, as before, the increase is more for Non-BRT firms. The reaction is significant with respect to friendly shareholder activism but not hostile activism in BRT firms. (Panels B & C of Table A.6.5).

As before, I look at the CARs around activism event dates and try to understand whether any campaign types of activism or whether the activism is hostile or not has some explanatory power especially for BRT firms (Table A.6.6 Panel A). I do not find

any significance on the interaction of BRT firms and any of the major activist campaign types. Even though, I see that firms for which activists ask for board control, value maximization or if the tactic is hostile, the cumulative abnormal returns increase. In Panel B of Table A.6.6 I see that BRT firms with more powerful CEOs both in terms of CEO Chairman duality and CEO Power, BRT firms with high institutional ownership and more independent directors see less increase in their CARs which suggests that managerial activism is a powerful tool against shareholder activists.

When I look at post activism firm variables, I see that R&D expenses decrease for BRT firms post activism as before. In addition, ROA of BRT firms post shareholder activism decreases. The corporate governance characteristics suggest that CEO ownership and stock options decrease for managerially active firms post activism. The CEO power increase still holds. As before, there is no change in leverage and payouts. (Table A.6.7, Panels A, B and C).

CDS results for the full sample show a different pattern than before. When I use the full sample, the CDS spreads of managerially active firms increase but the CDS spread increase in non-BRT firms is not statically significant. The increase is statistically significant for managerially active firms when the activism tactics are friendly. Even though I see an increase in spreads for non-BRT firms, the results are not statistically significant. I believe this is because of the large variation that I do not observe within the matched sample (Table A.6.8.)

In looking at the relationship between CDS abnormal spreads and activism types, using the full sample, I observe that CDS spreads decrease if the activists ask for board control or corporate governance changes but increase for firms that are managerially

active. This result suggests bondholders may be worried about tension between strong managers and activists when the activists' intentions are related to firm governance (Table A.6.9. Panel A). In Table A.6.9. Panel B, I want to understand whether any corporate governance characteristics or other firm characteristics of BRT firms can explain abnormal CDS spreads. I conclude that using the full sample these characteristics do not explain the variance in cumulative abnormal CDS spreads very much.

The equity and credit market reaction around the BRT win of the proxy access lawsuit still hold. BRT firms' shares decline more than the whole full sample and the differences are statistically significant for [-3, +3] event window. (Table A.6.10)

When I look at the CSR results considering the full sample, I observe that managerially active firms perform better both overall and all subindices except the product index, which is statistically insignificant. (Table A.6.11) These findings are consistent with BRT's goals as role models with respect to sustainability and social responsibility.

7.2.2. Financial Crisis

In order to ensure that my results are not affected by the financial crisis of 2008 and 2009, I conduct another robustness analysis by excluding the 2008-2009 year observations from my regressions. The results of my analyses are provided in Appendix 7 Tables A.7.1 - A.7.5.

The results are mainly unchanged. In table A.7.1., I observe that CEO Chairman duality and total compensation is positive and significant. However, under this specification, I also observe that CEOs of managerially active firms have more stock options and less compensation excluding stock options. This may suggest a change in the

incentive structure of managerially active firms. As can be seen in Panel B of Table A.7.1., managerially active firms have less institutional ownership and more independent directors.

In Table A.7.2 I look at firm performance variables excluding the financial crisis years. Similar to prior findings, I observe no difference in managerially active firms' and their matched peers' performance measures.

When I exclude financial crisis years, managerially active firms are still more likely to get activist campaigns and less likely to have proxy fights, hostile tactics and are less likely to give board seats to activists (Table A.7.3.)

When I look at post activism performance differences, even though the R&D decrease and the capital expenditure increase still holds for managerially active firms post activism, the CEO Chairman duality increase 2 years post activism result is not significant under this specification. All other results are unchanged (Table A.7.4, Panels A, B, C).

Table A.7.5 looks at the CSR results excluding financial crisis years. Under this specification, managerially active firms are better corporate citizens overall in addition to the community and diversity subindices as before. These results are more in line with their goals on sustainability and social responsibility as reported on their web site.

7.2.3. Other specifications

In corporate governance literature, age of the CEO and the gender of CEO are argued to be important determinants of CEO compensation and status (Malmendier and Tate, 2009). In addition, Bennedsen, Meisner, Nielsen, Perez-Gonzales, Wolfenzon (2007) suggest gender plays a role in succession decisions. As a result, I also conduct

analyses of regressions on corporate governance by including the age and gender of the CEO as independent variables. My results are included in Appendix 8, Table A.8.1., Panels A and B. I observe that age of the CEO is positively and significantly associated with CEO Tenure, CEO Chairman Duality and CEO compensation. CEO gender on the other hand is negatively related to CEO Tenure and CEO ownership. My overall results on managerially activist firms are the same after including these variables into the specifications. The only difference is in CEO ownership. When I include age and gender of the CEO, the negative ownership of managerially activist CEOs becomes insignificant.

Another area which requires further analysis is the relationship between CEO ownership and managerial activism dynamics. CEOs with more equity ownership in the firm may be more inclined to perform better as their incentive structure is built that way (Mehran, 1995). Appendix 8, Table 8.2 and Table 8.3. In order to understand these dynamics, I run the firm performance regressions by interacting CEO ownership with managerial activism. Indeed, the 3-year industry adjusted forward looking ROA is statistically significant for firms with CEOs that have more ownership in the firm. I don't see a difference in results for other specifications however. The results are shown in Appendix 8, Table A.8.2., Panels A and B.

Separately, since there may be some predictability in the events, I also look at an extended window for event studies (both stock and bond reaction) related to activism and the July 22 win of BRT. The results are shown in Appendix 8, Tables A.8.4, A.8.5, and Table A.8.6. I go backward and forward one month prior and post event. With respect to shareholder activism, my results are very similar in equity market reactions. Managerially active firms react less to shareholder activism as compared to their matched peers. Under

a longer time window, I observe that in both hostile and friendly shareholder activism, non-managerially active firms' abnormal returns are higher. When I look at credit market reactions, however, I do not observe any significant increase or decrease within a long event period.

Around the BRT win on July 22, 2011, even though the BRT members do not show a significant reaction in a longer event window, the results still show a negative reaction for BRT fims and the difference between the abnormal returns is negatively significant between BRT and non-BRT firms. This result suggests that BRT shareholders are not happy with the win even using longer event windows (one-month post event). The CDS spreads first increase pre event and then decrease post event which may suggest creditors being less concerned post BRT's win. This is true for both the BRT and non-BRT sample.

8. Conclusion

In this chapter, I address an important corporate governance mechanism – managerial activism. While there is growing literature on shareholder activism, managerial activism aspect is so for looked over in the field. I focus on managerial activism through collective action by identifying an organization of high profile CEOs within the U.S., Business Roundtable. I examine firm characteristics, corporate governance, firm performance and dynamics with shareholder activism in relation to managerial activism.

I find that firms involved in managerial activism have powerful CEOs and pay more to their CEOs, but also have more independent directors on their boards. Firms with activist managers face relatively less proxy fights and hostile tactics from shareholders,

indicating that managerial activism balances out hostile shareholder activism. These firms also have comparable operating performance to their peers. Shareholders respond positively only to friendly shareholder activist campaigns of firms involved in managerial activism. Creditors are concerned about wealth expropriation when there is shareholder activism, but less so in firms with activist managers.

Managerial activism that is aimed to weaken corporate governance by decreasing shareholder power, however, has different outcomes. By exploiting a natural experiment when Business Roundtable unexpectedly won a lawsuit against SEC on proxy access rules, which decreases the power of shareholders, I find that stock market reacts negatively to this news in firms involved in managerial activism. Creditors, on the other hand, respond favorably to this event, as it limits shareholder powers and thus possible wealth expropriation from debtholders.

Overall, these results suggest that managerial activism may be beneficial to the firm by pursuing pro-business policies and deterring hostile shareholder activism.

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Table 1: Descriptive Statistics

This table provides summary statistics and mean comparisons of matched BRT Members and Non members between 2008 and 2014. Variable Definitions are described in Appendix I. ***,**, and * denote statistical significance based on two-sided tests at the 1%, 5% and 10% level, respectively. Matching is conducted as follows: I start with a balanced sample of BRT firms. Then, within each year, I run a propensity score matching model for BRT membership using size, beginning of period Tobin's q and Fama French 12 industry code as the independent variables. I require to get the three nearest neighbors to the match and also make sure that the confounding principle (common support assumption) holds. The difference column shows the difference between mean values of matched Business Roundtable members and non members. Shareholder Activism percentages are calculated for the smaller sample for which there were instances of shareholder activism. Activist Campaign is calculated as a percent of the whole matched sample. Firm performance variables are winsorized at 1 percent.

	BRT Member (Matched Sample) [A]		**Non BRT member (Matched Sample) [B]**		**[A] - [B]**
Firm Characteristics	Mean	S.D.	Mean	S.D.	Difference
Tobin's Q	1.61	0.73	1.65	1.00	-0.04
Size	10.31	1.34	9.77	1.41	0.535***
Age	43.35	19.45	31.34	17.31	12.01***
Return on Assets	0.06	0.06	0.05	0.07	0.00
Return on Equity	0.17	0.21	0.13	0.25	0.0485***
Cash Flow Indicator	0.87	0.34	0.84	0.37	0.03
EBITDA/Assets	0.12	0.07	0.11	0.08	0.0137***
Leverage	0.19	0.12	0.19	0.14	0.00
R&D Expenses (zero for non reporting)	0.02	0.04	0.02	0.04	0.00603***
CAPEX/PPE	0.19	0.10	0.20	0.12	0.00
Intangible Assets	0.73	0.25	0.77	0.25	-0.0398**
Dividend Yield	0.02	0.02	0.02	0.02	0.00
Total Payout	0.05	0.04	0.05	0.07	0.00
HHI	0.25	0.20	0.20	0.21	0.0515***
Number of analysts	17.35	7.31	15.57	8.60	1.787***
CEO Characteristics					
CEO Chairman Duality	0.81	0.39	0.58	0.49	0.236***
CEO Tenure	6.96	4.76	9.52	8.74	-2.566***
CEO Founder	0.00	0.00	0.05	0.21	-0.0485***
CEO Power	1.32	0.69	1.17	0.89	0.145***
CEO Total Compensation	9.30	0.55	8.65	1.71	0.649***
CEO compensation without stock options	7.25	0.59	1.28	3.98	0.502***
CEO Stock Options	7.89	0.72	6.74	2.01	0.342***
CEO Ownership	0.22	0.98	7.54	0.94	-1.060***
Governance Variables					
Independent Directors	0.86	0.06	0.81	0.11	0.0560***
Board Size	11.49	1.68	10.98	2.63	0.515***
E-index	3.70	1.13	3.64	1.15	0.05
Institutional Ownership	0.72	0.15	0.76	0.17	-0.0444***
Blockholders	0.39	0.40	0.38	0.38	0.01
Corporate Social Responsibility Variables					
Total CSR Index	2.82	4.81	1.17	3.86	1.647***
Total Environmental Index	0.57	1.73	0.42	1.33	0.14
Total Community Index	0.62	1.01	0.26	0.77	0.354***
Total Diversity Index	2.03	1.88	0.76	1.64	1.261***
Total Employee Rel. Index	0.65	1.85	0.39	1.55	0.252**
Total Product Index	-0.60	1.03	-0.34	0.95	-0.268***
Number of firms	*420*		*784*		

Table 1: Descriptive Statistics (Cont'd)

	BRT Member (Matched Sample) [A]		Non BRT member (Matched Sample) [B]		[A] - [B]
Shareholder Activism	Mean	S.D.	Mean	S.D.	Difference
Activist Campaign (% of total)	0.14	0.35	0.07	0.26	0.0702***
Hedge Fund Activism	0.15	0.36	0.25	0.43	-0.10
Proxy Fight	0.10	0.30	0.09	0.29	0.01
Board Seats Won	0.03	0.18	0.14	0.35	-0.107**
Hostile Tactic	0.15	0.36	0.25	0.43	-0.10
Types of Campaign Types					
Board Control	0.13	0.34	0.12	0.33	0.01
Corporate Governance	0.25	0.44	0.19	0.40	0.06
Hostile Acquisiton	0.00	0.00	0.11	0.31	-0.105***
Maximize Value	0.15	0.36	0.18	0.38	-0.03
Short Position	0.00	0.00	0.00	0.00	0.00
Remove Directors	0.00	0.00	0.04	0.19	-0.04
Support Dissident Proxy	0.00	0.00	0.00	0.00	0.00
Vote Against Management	0.13	0.34	0.05	0.23	0.08
Against Merger	0.00	0.00	0.02	0.13	-0.02
Support Management	0.02	0.13	0.05	0.23	-0.04
Vote for a Stockholder Proposal	0.65	0.48	0.44	0.50	0.211**
Number of Activism Events	*60*		*57*		

Table 2: Corporate Governance and Managerial Activism

The table looks at the relationship between corporate governance and managerial activism for the matched sample. Managerial activism takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation.First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation. CEO compensation is measured as the natural logarithm of Total Compensation from Execucomp (ltd1 = Salary + Bonus + Other Annual + Restriced Stock Grants + LTI). Columns 3 and 4 look at CEO compensation (salary and bonus) and CEO stock option awards, separately. CEO ownership in column 5 is measured as percentage of shares owned excluding options. CEO Tenure is the number of years since the manager became a CEO. CEO Founder is an indicator variable equal to 1 if the current CEO was also the founder and zero otherwise. Panel B, Column 1 looks at entrenchment, measured using the entrenchment index of Bebchuk, Cohen and Ferrell (2009).Next two columns are on institutional ownership and blockholders, represented as holdings of instutitions and blockholders as percentage of shares ooutstanding. Last two columns have Board Size and the number of independent directors as the dependent variable. Variable definitions are reported in Appendix 1. All estimations include industry and year fixed effects, where 2 digit SIC codes are used for industry classifications. Standard errors are clustered by industry. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: CEO Characteristics

VARIABLES	(1) CEO Chairman Duality	(2) CEO Total Compensation	(3) CEO compensation without stock options	(4) CEO stock option awards	(5) CEO Ownership (excluding options)	(6) CEO Tenure	(7) CEO Founder
BRT Member	**0.183****	**0.654*****	**0.842*****	0.00615	**-1.178***	**-2.672****	**-0.0484***
	(2.363)	**(2.768)**	**(2.686)**	(0.0379)	**(-1.878)**	**(-2.576)**	**(-1.691)**
Size	0.0391	0.113	-0.169	0.462***	0.0117	-0.649**	-0.00319
	(1.277)	(0.889)	(-1.337)	(9.837)	(0.0475)	(-2.013)	(-0.314)
Tobin's Q	0.0229	-0.212	-0.436**	0.345***	0.591*	0.0959	0.0225
	(0.643)	(-0.907)	(-2.026)	(6.252)	(1.687)	(0.219)	(1.484)
Free Cash Flow Indicator	0.0778**	0.180	0.288	-0.0286	-0.215	2.138***	-0.0137
	(2.155)	(1.096)	(1.096)	(-0.302)	(-0.500)	(2.809)	(-0.740)
Leverage	-0.124	1.344	0.901	-0.237	-2.380	-5.570	-0.0794
	(-0.622)	(1.488)	(1.114)	(-0.527)	(-0.969)	(-1.336)	(-1.071)
Intangible Assets	-0.238	0.0179	0.215	-0.177	0.359	-0.335	0.0309
	(-1.245)	(0.0230)	(0.285)	(-0.469)	(0.167)	(-0.0779)	(0.452)
Observations	1,159	1,155	1,154	751	1,008	970	1,159
R-squared	0.198	0.174	0.174	0.501	0.264	0.186	0.227

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Corporate Governance

VARIABLES	(1) E-Index	(2) Institutional Ownership	(3) Blockholder Ownership	(4) Board Size	(5) Independent Directors
BRT Member	0.249	**-0.0467****	-0.0470	0.361	**0.0421*****
	(1.263)	**(-2.201)**	(-0.892)	(1.390)	**(3.963)**
Size	-0.302***	-0.0272***	0.0550***	0.729***	0.0139**
	(-6.015)	(-2.802)	(4.427)	(9.241)	(2.057)
Tobin's Q	-0.217***	-0.0140	0.0205	-0.126	0.00572
	(-2.804)	(-1.218)	(0.769)	(-0.806)	(0.780)
Free Cash Flow Indicator	-0.00443	-0.0127	0.0598*	0.302	-0.000379
	(-0.0271)	(-0.712)	(1.821)	(1.079)	(-0.0404)
Leverage	-0.283	0.116**	-0.0667	1.145	0.0369
	(-0.474)	(2.038)	(-0.524)	(1.226)	(0.919)
Intangible Assets	0.299	0.0317	0.0119	0.0911	0.0410
	(0.578)	(0.425)	(0.0586)	(0.101)	(0.850)
Observations	1,159	1,159	1,159	1,159	1,159
R-squared	0.241	0.420	0.198	0.378	0.257

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3: Operating Performance and Managerial Activism

The table explores the relationship between managerial activism and firm performance for the matched sample. Managerial activism is measured as memebership to Business Round Table (BRT). Firm performance measures are return on assets, return on equity, EBITDA/Assets, R&D and Capital Expenditures. Annual and 3 year backward/forward average return on assets are considered. All dependent variables are winsorized at 1 percent. Control variables used are size, Tobin's Q and age of the firm. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the

Panel A: Firm Performance

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00667	-0.00457	-0.00105	0.00569	0.0228	-0.00169	0.00144
	(-1.321)	(-0.913)	(-0.201)	(0.669)	(0.858)	(-0.317)	(0.0650)
Size	0.00377	0.00311	0.00252	-0.00183	0.0173**	-0.000788	-0.00683
	(1.569)	(1.188)	(1.222)	(-0.836)	(2.066)	(-0.437)	(-1.032)
Tobin's Q	0.0420***	0.0457***	0.0380***	0.0442***	0.0523**	0.0105***	0.0334***
	(6.441)	(8.444)	(5.642)	(5.651)	(2.293)	(4.201)	(7.038)
Cash Flow Indicator	0.0648***	0.0269***	0.0342***	0.0280***	0.249***	-0.00663	-0.0380***
	(4.511)	(3.107)	(4.290)	(3.249)	(4.673)	(-1.211)	(-4.198)
Leverage	-0.0538**	-0.0600***	-0.0256	0.0413*	-0.0352	-0.0169*	-0.0321
	(-2.095)	(-3.023)	(-1.171)	(1.761)	(-0.170)	(-1.674)	(-0.741)
Intangible Assets	-0.0459***	-0.0171*	-0.0251	-0.0782**	-0.154	0.0364***	0.168***
	(-3.021)	(-1.823)	(-1.378)	(-2.502)	(-1.634)	(2.733)	(3.924)
Observations	1,159	998	790	785	1,159	1,159	1,105
R-squared	0.578	0.717	0.676	0.757	0.277	0.498	0.471

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Industry Adjusted Firm Performance

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00667	-0.00384	-0.00138	0.00427	0.0179	-0.00178	-0.000858
	(-1.399)	(-0.785)	(-0.296)	(0.537)	(0.450)	(-0.337)	(-0.0394)
Size	0.00285	0.00354	0.00199	-0.00168	0.0219*	-0.000891	-0.00601
	(1.409)	(1.413)	(1.070)	(-0.770)	(1.753)	(-0.505)	(-0.914)
Tobin's Q	0.0362***	0.0396***	0.0366***	0.0440***	0.0466**	0.0103***	0.0310***
	(7.132)	(7.427)	(6.101)	(5.711)	(2.438)	(4.324)	(6.722)
Cash Flow Indicator	0.0598***	0.0275**	0.0336***	0.0281***	0.216***	-0.00530	-0.0380***
	(4.263)	(2.459)	(4.147)	(3.226)	(3.530)	(-1.202)	(-4.397)
Leverage	-0.0392*	-0.0510**	-0.0192	0.0463*	0.127	-0.0157	-0.0281
	(-1.923)	(-2.197)	(-1.004)	(1.949)	(0.460)	(-1.643)	(-0.686)
Intangible Assets	-0.0471***	-0.00587	-0.0288	-0.0790**	-0.101	0.0376**	0.155***
	(-3.703)	(-0.526)	(-1.598)	(-2.546)	(-0.693)	(2.642)	(4.037)
Observations	1,159	785	789	785	1,159	1,159	1,105
R-squared	0.507	0.620	0.579	0.573	0.186	0.251	0.234

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 4: Shareholder Activism and Managerial Activism

The table explores the relation between shareholder activism and managerial activism for the matched sample. Managerial activism is measured as membership to Business RoundTable (BRT). Shareholder activism and hostile tactcs are measured in four different ways (all are indicator variables): activist campaign initiated against the firm, proxy fight initiated against the firm, threat to use hostile tactics by activists and board seats obtained by activists. The probit results are given for the matched, balanced BRT sample. Three different specificiations are used. In the first four columns, industry and year fixed effects are used as controls. In the next three columns control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets. In the last two columns, the control variables are determinants of shareholder activism as identified in Brav, Jiang, Partnoy and Thomas (2008). The regressions are calculated for which there are enough observations. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust z-statistics are in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, respectively.

VARIABLES	(1) Activist Campaign	(2) Proxy Fight	(3) Hostile Tactic Used	(4) Board Seats Won	(1) Activist Campaign	(2) Hostile Tactic Used	(3) Board Seats Won	(1) Activist Campaign	(2) Hostile Tactic Used
BRT Member	**0.440****	**-1.627*****	**-0.926*****	-0.479	**0.312***	**-0.733***	**-1.698*****	**0.340***	**-1.027***
	(2.463)	**(-2.788)**	**(-2.732)**	(-0.785)	**(1.932)**	**(-1.785)**	**(-3.004)**	**(1.727)**	**(-1.753)**
Size					0.197**	-0.251	-0.0592	0.0664	0.368
					(2.501)	(-1.281)	(-0.148)	(0.577)	(1.136)
Tobin's Q					0.0348	-0.195	0.229	-0.0186	0.0373
					(0.395)	(-0.688)	(0.459)	(-0.152)	(0.0283)
Cash Flow Indicator					-0.215	0.334	-1.731***		
					(-0.825)	(0.670)	(-2.942)		
Intangible Assets					-0.362	0.496	-5.363*		
					(-0.426)	(0.349)	(-1.809)		
Leverage					-0.328	6.683*	13.77***	0.00383	18.54***
					(-0.463)	(1.684)	(2.923)	(0.00460)	(3.830)
E-Index								-0.00731	-0.456
								(-0.112)	(-1.365)
ROA								-1.178	4.055
								(-0.981)	(0.627)
Div Yield								-3.882	-91.45***
								(-0.879)	(-4.037)
Number of Analysts								0.0220*	0.0422
								(1.782)	(0.842)
Institutional Ownership								-1.299**	3.875
								(-2.188)	(1.117)
R&D to Assets								3.184*	-29.48
								(1.724)	(-1.327)
R&D Indicator								-0.0887	-1.561***
								(-0.239)	(-2.593)
HHI								0.511	-3.281
								(0.852)	(-1.062)
Observations	1,017	38	74	37	987	74	37	916	68

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5: Stock Market Reaction to Shareholder Activism Campaigns

The cumulative abnormal returns (CARs) are reported for the shareholder activism events for both the firms that are members of Business Round Table (BRT) and those that are not (Non BRT) for the matched sample. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The CARs are calculated for four different event windows and statistical difference from zero is calculated using t-tests. Differences of CARs between BRT and Non-BRT firms are carried also given with corresponding t-tests. The results are given for the overall shareholder activism events in Panel A. In Panel B and Panel C, friendly and hostile shareholder activism results are reported, respectively. Shareholder activism tactics are considered as friendly and hostile following the definition of Brav et al. (2008). Variable definitions are in Appendix 1. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A: All Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	0.85%*	2.83%**	-0.0197*
(0,+2)	1.03%***	2.13%**	-0.011
(-3,+3)	0.64%	3.29%**	-0.0265**
(-1,+2)	1.05%**	1.7%*	-0.00645
Equally weighted			
(-2,+2)	0.71%*	2.75%**	-0.0205*
(0,+2)	0.97%***	2.12%**	-0.0114
(-3,+3)	0.53%	3.11%**	-0.0258**
(-1,+2)	1%***	1.59%	-0.00591
N	*57*	*46*	

Panel B: Hostile Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	1.55%	6.81%*	-0.0526
(0,+2)	1.14%	6.5%*	-0.0535
(-3,+3)	1.13%	8.18%*	-0.0705
(-1,+2)	0.96%	6.11%	-0.0515
Equally weighted			
(-2,+2)	1.19%	6.49%*	-0.0531
(0,+2)	0.90%	6.21%*	-0.0532
(-3,+3)	0.66%	7.72%*	-0.0706
(-1,+2)	0.77%	5.68%	-0.0491
N	*9*	*11*	

Panel C: Friendly Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	0.73%	1.57%	-0.00849
(0,+2)	1.01%**	0.76%	0.00251
(-3,+3)	0.55%	1.75%	-0.0121
(-1,+2)	1.07%*	0.31%	0.00759
Equally weighted			
(-2,+2)	0.62%	1.58%	-0.00959
(0,+2)	0.99%**	0.83%	0.00161
(-3,+3)	0.51%	1.66%	-0.0115
(-1,+2)	1.04%**	0.31%	0.00738
	48	*35*	

Table 6: Stock Market Reaction around Activism, Activism Type and Managerial Activism

Panel A

The table explores the cumulative abnormal reaction with respect to the hostile tactics and most requested campaign types. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1)	(2)	(3)	(4)
Hostile Tactic	**0.0572*** **			
	(3.077)			
Hostile Tactic * BRT Member	**-0.0526** **			
	(-2.019)			
Board Control		**0.0763*** **		
		(3.124)		
Board Control * BRT Member		**-0.0740** **		
		(-2.367)		
Corp. Gov.			-0.00505	
			(-0.237)	
Corp. Gov. * BRT Member			-0.00552	
			(-0.213)	
Maximize Value				-0.00154
				(-0.0649)
Maximize Value * BRT Member				0.0206
				(0.678)
Observations	103	103	103	103
R-squared	0.087	0.089	0.004	0.008

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 6: Stock Market Reaction around Activism, Firm Characteristics and Managerial Activism Panel B

The table explores the relationship between the cumulative abnormal reaction around shareholder activism, managerial activism and different firm governance and performance characteristics. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism is measured as memebership to Business Round Table (BRT). The indicator takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO Chairman Duality	-0.0177											
	(-1.076)											
CEO Chairman Duality*BRT Member	-0.00998											
	(-0.676)											
CEO Total Compensation		-0.000435										
		(-0.126)										
CEO Total Compensation*BRT Member		-0.00199										
		(-1.561)										
CEO Ownership (excluding options)			-0.00103									
			(-0.589)									
CEO Ownership (excluding options) * BRT Member			0.0120									
			(0.675)									
CEO stock options				-0.00800								
				(-0.924)								
CEO stock options * BRT Member				-0.00102								
				(-0.485)								
E Index					0.0147***							
					(2.864)							
E Index*BRT Member					-0.00401							
					(-1.237)							
Institutional Ownership						0.0703**						
						(2.041)						
Institutional Ownership * BRT Member						-0.0193						
						(-1.102)						
Institutional Block Ownership							0.0284					
							(1.576)					
Institutional Block Ownership*BRT Member							**-0.0481****					
							(-2.544)					
Board Size								-0.00537*				
								(-1.882)				
Board Size*BRT Member								-0.00117				
								(-1.136)				
Independent Percent									-0.137			
									(-1.557)			
Independent Percent*BRT Member									-0.0169			
									(-1.194)			
Size										-0.00976**		
										(-2.409)		
Size*BRT Member										-0.000904		
										(-0.820)		
Tobin's Q											-0.0148*	
											(-1.968)	
Tobin's Q* BRT Member											-0.00886	
											(-1.280)	
Number of Analyst Estimates												-0.000845
												(-1.641)
Number of Analyst Estimates*BRT Member												**-0.000935***
												(-1.834)
Observations	103	103	92	60	103	103	103	103	103	103	103	103
R-squared	0.038	0.026	0.008	0.025	0.081	0.052	0.061	0.067	0.051	0.088	0.056	0.067

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Post Shareholder Activism Firm Characteristics

The table explores the relationship between shareholder activism, managerial activism and firm performance in order to understand the effect of shareholder activism for BRT firms and their matched peers. Panel A looks at firm performance variables using both "as is" and industry-adjusted values. Panel B focuses on corproate governance variables. Panel C analyzes firm payouts and debt levels. and firm performance. Managerial activism is measured as memebership to Business Round Table (BRT). All dependent variables are winsorized at 1 percent and show the differences around activism event years [t+1,t-1] in Panels A1, B1 and C1 and [t+2,t-1] in Panels A2, B2, C2. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A1: Firm Performance

[t+1, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.00560	0.000971	-0.00292	-0.000225	-0.00948*	0.00643	0.00482	0.000909	0.00601	-0.000577	0.00201	-0.00377	-0.000143	-0.0100*
	(1.165)	(0.254)	(-0.152)	(-0.258)	(-1.747)	(0.897)	(1.019)	(0.251)	(1.299)	(-0.129)	(0.766)	(-0.150)	(-0.210)	(-1.930)
Post Shareholder Activism Dummy	0.0125	0.0175	-0.0499	0.00140	0.0191	0.0301**	0.00879	0.0171	-0.0136	0.000110	-0.00872	-0.223***	0.00104	0.0117
	(1.336)	(0.992)	(-1.567)	(1.478)	(1.581)	(2.098)	(0.888)	(0.788)	(-0.970)	(0.0147)	(-0.988)	(-2.940)	(1.068)	(0.999)
Post Shr. Act. Dum. * BRT Member	-0.0131	0.00349	0.00947	**-0.00267***	**0.00295**	-0.0258	-0.00667	8.69e-06	0.0269	-0.000913	-0.00506	0.0786	**-0.00301*****	0.0125
	(-1.158)	(0.207)	(0.193)	**(-1.765)**	**(0.196)**	(-1.488)	(-0.538)	(0.000408)	(0.918)	(-0.0661)	(-0.275)	(0.726)	**(-2.835)**	(0.754)
Observations	811	650	811	811	733	613	811	456	469	790	452	811	811	733
R-squared	0.156	0.239	0.068	0.268	0.244	0.282	0.079	0.174	0.201	0.141	0.423	0.112	0.161	0.129

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel A2: Firm Performance

[t+2, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.0108	0.00520	0.0372*	-2.44e-05	-5.72e-05	0.00643	0.0111	0.00716	0.00413	0.00315	-0.000890	0.0565	0.000227	-0.000160
	(1.493)	(0.881)	(1.768)	(-0.0206)	(-0.00675)	(0.897)	(1.647)	(1.243)	(0.616)	(0.749)	(-0.246)	(1.642)	(0.239)	(-0.0190)
Post Shareholder Activism Dummy	-0.000576	0.0347	-0.0753	0.000504	-0.0171	0.0301**	-0.00185	0.0427	-0.00859***	0.00354	-0.0114**	-0.168	0.000765	-0.0134
	(-0.0482)	(1.237)	(-1.123)	(0.649)	(-1.168)	(2.098)	(-0.162)	(1.103)	(-5.391)	(0.386)	(-2.305)	(-1.163)	(0.940)	(-1.092)
Post Shr. Act. Dum. * BRT Member	-0.00144	-0.000226	0.00961	**-0.00426***	**0.0756*****	-0.0258	0.00686	-0.0136	0.0386	-0.0105	-0.00519	0.0511	**-0.00478****	**0.0787*****
	(-0.0839)	(-0.00794)	(0.0940)	**(-1.925)**	**(3.024)**	(-1.488)	(0.422)	(-0.346)	(1.033)	(-0.474)	(-0.206)	(0.271)	**(-2.250)**	**(3.444)**
Observations	641	485	641	641	579	613	641	301	306	624	296	641	641	579
R-squared	0.210	0.301	0.197	0.298	0.270	0.282	0.151	0.226	0.192	0.244	0.308	0.217	0.198	0.139

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7 (Cont'd)

Panel B1: Corporate Governance Characteristics

[t+1, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.0313	-0.0353	-0.198	0.314	-0.0547	0.0801	-0.0385	-0.00612	-0.0216	-0.251**	-0.000666
	(0.956)	(-0.530)	(-1.314)	(1.514)	(-0.327)	(1.270)	(-0.527)	(-1.118)	(-0.719)	(-2.142)	(-0.107)
Post Shareholder Activism Dummy	0.0180	0.217*	-0.0822	0.595	0.0137	0.113	-0.166*	0.0525	0.0127	-0.263	-0.00172
	(0.289)	(1.992)	(-0.726)	(1.398)	(0.163)	(0.695)	(-1.953)	(0.936)	(0.189)	(-1.209)	(-0.141)
Post Shr. Act. Dum. * BRT Member	0.0393	-0.00351	0.0768	-0.687	0.0951	0.0644	-0.0193	-0.0377	-0.110	0.326	-0.00866
	(0.575)	(-0.0129)	(0.572)	(-1.385)	(0.707)	(0.230)	(-0.108)	(-0.641)	(-0.708)	(0.625)	(-0.573)
Observations	811	641	808	671	807	479	811	811	811	811	811
R-squared	0.042	0.103	0.055	0.118	0.022	0.184	0.124	0.349	0.055	0.066	0.077

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B2: Corporate Governance Characteristics

[t+2, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.0399	-0.0781	-0.296	0.353	-0.0800	0.0318	-0.116	-0.00741	-0.0605	-0.343*	-0.000246
	(0.729)	(-0.692)	(-1.130)	(1.356)	(-0.264)	(0.385)	(-1.128)	(-0.937)	(-1.157)	(-1.947)	(-0.0232)
Post Shareholder Activism Dummy	0.161*	0.0973	-0.0224	1.423	-0.0365	-0.386	-0.355**	0.0950	0.0617	-0.0340	-0.0218*
	(1.698)	(0.399)	(-0.109)	(0.970)	(-0.200)	(-1.226)	(-2.597)	(0.881)	(0.524)	(-0.0990)	(-1.851)
Post Shr. Act. Dum. * BRT Member	-0.112	**0.637****	0.0781	-1.723	0.163	0.258	-0.0355	-0.0862	0.0336	-0.204	-0.00814
	(-0.962)	**(2.023)**	(0.317)	(-1.161)	(0.640)	(0.782)	(-0.126)	(-0.796)	(0.191)	(-0.282)	(-0.382)
Observations	641	474	639	507	637	378	641	641	641	641	641
R-squared	0.086	0.169	0.079	0.161	0.060	0.252	0.185	0.347	0.074	0.139	0.113

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7 (Cont'd)

Panel C 1: Firm Leverage and Payouts

[t+1, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	0.00279	0.00220	0.00536**
	(0.389)	(0.948)	(2.124)
Post Shareholder Activism Dummy	-0.0244	-0.000869	-0.0321
	(-1.192)	(-0.178)	(-0.843)
Post Shr. Act. Dum. * BRT Member	0.0192	-0.000167	0.0224
	(0.773)	(-0.0319)	(0.529)
Observations	805	809	594
R-squared	0.004	0.003	0.050

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C 2: Firm Leverage and Payouts

[t+2, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	0.00419	0.00334	0.00238
	(0.353)	(1.249)	(0.526)
Post Shareholder Activism Dummy	-0.0543**	-0.00173	-0.0643
	(-2.016)	(-0.222)	(-0.817)
Post Shr. Act. Dum. * BRT Member	0.0344	0.00253	0.0528
	(1.121)	(0.280)	(0.638)
Observations	637	638	442
R-squared	0.010	0.007	0.098

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8: CDS Spreads Around Shareholder Activism Campaigns

The Credit Default Swap (CDS) spreads of the firms that are members of Business Round Table (BRT) and those in the matched sample that are not members of BRT are reported around the shareholder activism events. 5 Year CDS spread is end of day mid spread as measured in Bloomberg. CDS spreads are end of the month credit rating matched market index (investment grade or high yield) adjusted and are measured in basis points. Daily spread changes are index adjusted spread changes from a day before. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for all days and the difference between trading dates is less than a week. The results are given for the overall shareholder activism events in Panel A. In Panel B and Panel C, friendly and hostile shareholder activism results are reported, respectively. Difference in CDS spreads are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Analysis is conducted for firms that have complete data for the [-3, +3] period.

Panel A: All Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	6.17	5.32	0.85
(-2,+2)	**5.15***	**8.35****	-3.20
(-1,+2)	0.71	**8.83***	**-8.130****
(0,2)	0.17	5.24	**-5.066***
N			*73*

Panel B: Hostile Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	35.59	13.37	22.22
(-2,+2)	**19.62***	12.75	6.86
(-1,+2)	1.28	13.70	-12.43
(0,2)	5.76	2.81	2.96
N			*12*

Panel C: Friendly Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	0.43	3.71	-3.28
(-2,+2)	2.33	**7.47***	-5.14
(-1,+2)	0.59	7.86	**-7.267***
(0,2)	-0.92	5.73	**-6.643***
N			*61*

Table 9: Cumulative Abnormal CDS Spreads around Activism and Activist Tactics

Panel A

The table explores the cumulative abnormal spread changes for CDSs with respect to the hostile tactics and most requested campaign types for the matched sample for which data are available. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1)	(2)	(3)
Hostile Tactic	8.953		
	(0.957)		
Hostile Tactic * BRT Member	6.862		
	(0.619)		
Corp. Gov.		-0.999	
		(-0.102)	
Corp. Gov. * BRT Member		-2.108	
		(-0.197)	
Maximize Value			**26.21*** **
			(2.857)
Maximize Value * BRT Member			**-30.89** **
			(-2.270)
Observations	72	72	72
R-squared	0.080	0.004	0.110

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9: Cumulative Abnormal CDS Spreads around Activism and Activist Tactics

Panel B

The table explores the relationship between the cumulative abnormal spread changes for CDSs around shareholder activism, managerial activism and different firm governance and performance characteristics. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO Chairman Duality	8.196											
	(1.159)											
CEO Chairman Duality*BRT Member	-6.120											
	(-1.097)											
CEO Total Compensation		-6.645*										
		(-1.828										
CEO Total Compensation*BRT Member		-0.249										
		(-0.518										
CEO Ownership (excl. options)			-0.276									
			(-0.361)									
CEO Ownership (excl. options) * BRT Member			8.582									
			(0.344)									
CEO stock options				-9.660**								
				(-2.594)								
CEO stock options * BRT Member				-0.393								
				(-0.494)								
E Index					2.539							
					(1.121)							
E Index*BRT Member					0.249							
					(0.182)							
Institutional Ownership						48.13***						
						(3.419)						
Institutional Ownership * BRT Member						0.0724						
						(0.0108)						
Institutional Block Ownership							2.110					
							(0.209)					
Institutional Block Ownership*BRT Member							-4.007					
							(-0.399)					
Board Size								-2.264*				
								(-1.743)				
Board Size*BRT Member								-0.106				
								(-0.278)				
Independent Percent									-32.21			
									(-0.888)			
Independent Percent*BRT Member									-2.695			
									(-0.490)			
Size										-4.740*		
										(-1.778)		
Size*BRT Member										-0.0620		
										(-0.148)		
Tobin's Q											-4.974	
											(-1.144)	
Tobin's Q* BRT Member											-2.473	
											(-0.827)	
Number of Analyst Estimates												-0.528*
												(-1.816)
Number of Analyst Estimates*BRT Member												-0.207
												(-1.095)
Observations	72	72	70	43	72	72	72	72	72	72	72	72
R-squared	0.023	0.052	0.004	0.156	0.024	0.145	0.003	0.048	0.016	0.051	0.049	0.077

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 10: Stock Market and Credit Market Reaction to BRT Lawsuit Win (July 22, 2011)

The cumulative abnormal returns (CARs) of the firms that are members of Business Round Table (BRT) and those in the matched sample that are not members of BRT are given for the event when BRT won the lawsuit against SEC on July 22, 2011 regarding the proxy access rule. CARs are calculated using a Fama French 3 factor value-weighted and equal-weighted model for each company. CARs are calculated for four different event windows. Difference in CARs are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. The Credit Default Swap (CDS) spreads are 5 Year end of day mid spread as measured in Bloomberg. CDS spreads are risk adjusted using end of month credit rating matched market index (investment grade or high yield). Daily spread changes are index adjusted spread changes. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for [-3,+3] period.

Panel A: Stock Market Reaction (CAR)

CAR	BRT Member	Not BRT Member	Difference - t test
Value weighted			
(-2,+2)	-0.70%	0.17%	-0.00869
(0,+2)	**-0.85% ****	0.10%	**-0.00957***
(-3,+3)	-0.74%	0.36%	**-0.0110***
(-1,+2)	**-0.93% ****	0.15%	-0.0109**
Equally weighted			
(-2,+2)	**-0.99% ***	-0.09%	-0.00894
(0,+2)	**-1.01% ****	-0.03%	**-0.00975****
(-3,+3)	-0.64%	0.44%	**-0.0108***
(-1,+2)	**-1.03% ****	0.07%	**-0.0110****
N			*150*

B. Credit Market Reaction (Cumulative abnormal spread changes)

	BRT	Non-BRT	Difference - t test
(-3,+3)	**1.92% ****	4.56%	-2.65
(-2,+2)	**1.04% ***	3.30%	-2.26
(-1,+2)	**-5.51% *****	**-7.51% *****	**2.000***
(0,+2)	**-4.98% *****	**-6.64% *****	1.66
N			*88*

Table 11: Corporate Social Responsibility and Managerial Activism

The table explores the relationship between corporate social responsibility and managerial activism. Managerial activism is measured as membership to Business Round Table (BRT). For corporate social responsibility, all the indices are created by adding the strengths and subtracting the weaknesses within each category. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are given in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1) Total CSR Index	(2) Env. Index	(3) Community Index	(4) Diversity Index	(5) Employee Index	(6) Product Index
BRT Member	1.003	-0.0919	**0.292****	**1.050*****	-0.00790	-0.186
	(1.501)	(-0.516)	**(2.428)**	**(3.758)**	(-0.0411)	(-1.302)
Size	1.083***	0.268***	0.147***	0.665***	0.260***	-0.191***
	(5.249)	(4.868)	(3.754)	(8.123)	(4.763)	(-4.440)
Tobin's Q	0.392	0.179**	0.0435	0.237**	0.159**	-0.120**
	(1.491)	(2.357)	(0.768)	(2.151)	(2.156)	(-2.655)
Free Cash Flow Indicator	0.549	-0.0360	-0.0438	0.174	0.127	0.135
	(1.081)	(-0.188)	(-0.459)	(0.791)	(0.511)	(1.286)
Leverage	0.266	1.243**	-0.0833	-0.510	-0.124	0.326
	(0.140)	(2.298)	(-0.220)	(-0.639)	(-0.201)	(0.866)
Intangible Assets	1.269	0.991**	0.561	0.360	0.469	-0.210
	(0.755)	(2.151)	(1.239)	(0.496)	(0.713)	(-0.893)
Observations	962	962	962	962	962	962
R-squared	0.406	0.476	0.223	0.466	0.373	0.339

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 1: Variable Definitions

Variable	Definition
Activist Campaign	A dummy variable equal to 1 if an activist event was initiated against the firm as identified in the Sharkwatch database and zero otherwise. Source: FactSet/Sharkwatch.
Activist Campaign (% of total)	An indicator variable equal to 1 if a firm gets a campaign by an activist investor as shown in Sharkwatch Database and zero otherwise. Only the first instance of activism within a year is considered. Source: Sharkwatch.
Against Merger	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Vote/Activism Against a Merger" in Sharkwatch. Source: Sharkwatch Database.
Age	Firm age calculated as the difference between the firm's fiscal year and the first time it appears in CRSP (ltdate). Source: CRSP, Compustat.
Blockholder	Total ownership by institutional blockholders/shares outstanding*1000. The values are winsorized at 1. Source: Thomson 13F Database.
Board Control	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Board Control", "Representation", or "Board Representation" in Sharkwatch. Source: Sharkwatch Database.
Board Seats Won	A dummy variable equal to 1 if Campaign Resulted in Board Seat variable is marked as "Yes" and zero otherwise. Source: FactSet/Sharkwatch.
Board Size	The total number of directors of a company within a given year. Source: RiskMetrics/ISS.
CAPEX/PPE	Capital Expenditures divided by Plant, Property and Equipment. Source: Compustat
Cash Flow Indicator	An indicator variable equal to 1 if free cash flow is positive and zero otherwise. Free cash flow is defined as income before extraordinary items + depreciation and amortization - capital expenditures. Source: Compustat.
CDS Spread	End of day mid-spread as measured in Bloomberg for five year maturities. The spreads risk adjusted using the end of the month credit rating matched market index (investment grade or high yield) and are measured in basis points. Source: Bloomberg, DealScan, I/B/E/S.
CEO Chairman Duality	Dummy variable =1 if the CEO is also the Chairman of the board. Source: RiskMetrics/ISS
CEO Compensation	log (tdc1). TDC1=salary+bonus+restricted stock + stock options + l.t. incentive payouts + others. Source: Execucomp
CEO compensation without stock options (Total Compensation)	Total current compensation of CEO (Salary + Bonus). Source: Execucomp.
CEO Founder	An indicator variable equal to one if a CEO was the CEO five years prior to the IPO date reported by Compustat or the first date when the firm appears in CRSP, and zero otherwise. Source: Compustat, CRSP, ISS. Similar to Li, Lu, Phillips, 2014.
CEO Ownership	Percentage of Total Shares Owned - Options Excluded. Source: Execucomp.
CEO Power	The sum of CEO Chairman, CEO Tenure and CEO Founder indicator variables. Source: Compustat, CRSP, ISS. Similar to Li, Lu, Phillips, 2014.
CEO Stock Option Awards	Value of option-related awards (e.g. options, stock appreciation rights, and other instruments with option-like features). Valuation is based upon the value of options that vested during the year as detailed in FAS123R. The repoted value is the cost recorded by the company on its income statement as well as any amounts that were capitalized on the balance sheet for the fiscal year. Source: Execucomp.
CEO Tenure	DataYear– the year CEO started working as the CEO. Negative CEO Tenures are considered missing but zeros are kept. Source: RiskMetrics/ISS.
Corporate Governance	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Enhance Corporate Governance" in Sharkwatch. Source: Sharkwatch Database.
Dividend Yield	(Cash Dividends + Preferred Dividends)/market value of equity
EBITDA/Assets	EBITDA [t]/Total Assets [t]. Source: Compustat.
E-index	Classified board + limits to shareholder bylaw amendments+ poison pill + golden parachute + supermajority requirements for mergers and charter amendments. Source: RiskMetrics/ISS (based on Bebchuck, Cohen, Ferrell, 2009).
Hedge Fund Activism	An indicator variable equal to 1 if the type of activist in Sharkwatch Database is identified as a hedge fund. In addition, the hedge fund list from Brav, Jiang, Partnoy, and Thomas (2008) is reviewed and a few other Dissidents are identified as hedge funds. Source: Sharkwatch, Alan Brav.

Appendix 1 - *continued*

HHI	Ownership Concentration - Herfindahl-Hirschman Index. Calculated as total squared sum of each firms' sales divided by total sales in that SIC code. Source: Compustat.
Hostile Acquisiton	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Hostile/Unsolicited Acquisition" in Sharkwatch. Source: Sharkwatch Database.
Hostile Tactic	A dummy variable equal to 1 if any of the variables Proxy Fight, Dissident Tactic Hostile offer, Dissident Tactic Lawsuit, Dissident Tactic Tender Offer Launched or Stake Only, Dissident Tactic Proxy Fight, Dissident Tactic Unsolicited Offer, Dissident Fight Letter Special is marked with "Yes" and 0 otherwise within the Sharkwatch matched sample. Source FactSet/Sharkwatch.
Independent Directors	The percent of directors that are independent calculated as sum of independent directors each year divided by the board size. Source: RiskMetrics/ISS.
Institutional Ownership	Total institutional ownership as a percent of total shares outstanding. Values are winsorized at 1. Source: Thomson 13F Database.
Intangible Assets	1-(Plant, Property and Equipment/Total Assets). Source: Compustat.
Leverage	Long Term debt/Assets. Source: Compustat.
Maximize Value	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Maximize Shareholder Value" in Sharkwatch. Source: Sharkwatch Database.
Number of analysts	Number of analysts covering a company (numest). Calculated monthly. Source I/B/E/S.
Percent of Independent Directors	The percent of directors that are marked as independent (as a percent of total board size). Source: RiskMetrics/ISS.
Proxy Fight	A dummy variable equal to 1 if the variable is marked with "Yes" within the Sharkwatch matched sample and 0 otherwise. Source: FactSet/Sharkwatch.
R&D Expenses (zero for non reporting)	Research and development expenses divided by beginning of period book value of assets. Nonreported cells are assumed to be zero. Source: Compustat.
Remove Directors	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Remove Director(s), No Dissident Nominee to Fill Vacancy" or "Remove Officer(s)" in Sharkwatch. Source: Sharkwatch Database.
Return on Assets (ROA)	Net income (t)/ Book Value of Assets (t-1). Source: Compustat.
Return on Assets (ROA) 3 Year Average (Forward)	Average of roa (t), roa(t+1), roa(t+2) for each company for non-blank cells. Source: Compustat.
Return on Assets (ROA) 3 Year Average (Backward)	Average of roa (t), roa(t-1), roa(t-2) for each company for non-blank cells. Source: Compustat.
Return on Equity	Net income/common ordinary equity (total). Source: Compustat.
Share repurchases	Purchase of common and preferred stock/total assets. Source: Compustat.
Short Position	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Public Short Position/Bear Raid" in Sharkwatch. Source: Sharkwatch Database.
Size	Log of total assets. Source: Compustat
Support Dissident Proxy	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Support Dissident Group in Proxy Fight" in Sharkwatch. Source: Sharkwatch Database.
Support Management	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Vote For a Management Proposal/Support Management" in Sharkwatch. Source: Sharkwatch Database.
Tobin's Q	Beggining of period Market value of assets/Book value of assets. Market value of assets is defined as book value of assets + market value of equity - book value of equity. Source: Compustat.

Appendix 1 - *continued*

Total Community Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total community strengths - total community weaknesses. Strengths include charitable giving, innovative giving, support for housing and education and innovative programs. Concerns include investment controversies, actions resulting in major economic impact, tax disputes, indigenous peoples relations. Source: KLD Database.
Total CSR Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total CSR Strengths - Total CSR Concerns. It covers approximately 80 indicators (each is a dummy variable) in seven major Qualitative Issue Areas including Community, Corporate Governance, Diversity, Employee Relations, Environment, Human Rights and Product. Source: KLD Database.
Total Diversity Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total diversity strengths - total diversity concerns. Strengths include CEO being a minority, progress in promoting minorities, having a diverse board of directors, work life benefits. Concerns include affirmative action controversies, non representation of minorities on the board or senior line managers. Source: KLD Database.
Total Employee Rel. Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total employee relations strengths - total employee relations concerns. Strengths include union relations, no layoff policy, cash profit sharing, employee involvement and retirement benefits strength. Total concerns include poor union relations, health and safety concerns, workforce reductions. Source: KLD Database.
Total Environment Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total Environment strengths - total Environment concerns. Strengths include indicators such as beneficial products and services, pollution prevention, recycling, clean energy. Weaknesses include indicators such as hazardous waste liabilities; regulatory problems; use of ozone depleting chemicals. Source: KLD Database.
Total Payout	(Total dividends + purchase of common and preferred stock)/ market value of equity. Source: Compustat.
Total Product Index	An index variable developed by summation of dummy variables consisting of 1s for respective strengths/weaknesses and zero otherwise. Total product related strengths - total product related concerns. Product related strengths include quality, R&D/innovation, benefits to economically disadvantaged. Product related concerns include product safety, marketing concerns, antitrust concerns. Source: KLD Database.
Vote Against Management	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Vote Against a Management Proposal" in Sharkwatch. Source: Sharkwatch Database.
Vote for a Stockholder Proposal	An indicator variable equal to 1 if Primary Campaign Type or Secondary Campaign Type is identified as "Vote For a Stockholder Proposal" in Sharkwatch. Source: Sharkwatch Database.

Appendix 2: Business Roundtable Members by Fama French 12 Industry and Market Capitalization (2008-2014)

This table shows the average distribution of Business Roundtable Member firm years in the sample using Fama French 12 Industry Codes. The table also shows the average market capitalization of BRT members between 2008 and 2014 and the same value for all other Compustat companies.

	Number	Percentage
Consumer NonDurables	39	4.28%
Consumer Durables	32	3.51%
Manufacturing	137	15.04%
Oil, Gas, and Coal Extraction and Products	65	7.14%
Chemicals and Allied Products	45	4.94%
Business Equipment	132	14.49%
Telephone and Television Transmission	42	4.61%
Utilities	46	5.05%
Wholesale, Retail, and Some Services	55	6.04%
Healthcare, Medical Equipment, and Drugs	71	7.79%
Money/Finance	152	16.68%
Other	95	10.43%

Appendix 3: Business Roundtable Members Fama French Industry Classification and Market Capitalization by Year (2008-2014)

This table shows the average distribution of Business Roundtable Member firms in the sample using Fama French 12 Industry Codes by year. The table also shows the average market capitalization of BRT members and non members (all other Compustat companies) by year between 2008 and 2014.

	2008		2009		2010		2011		2012		2013		2014	
Consumer NonDurables	3	3.30%	4	3.90%	5	4.30%	8	5.30%	8	5.10%	8	5.40%	5	3.57%
Consumer Durables	3	3.30%	3	2.90%	3	2.60%	5	3.30%	5	3.20%	6	4.00%	6	4.29%
Manufacturing	16	17.80%	16	15.50%	16	13.80%	22	14.70%	21	13.50%	21	14.10%	21	15.00%
Oil, Gas, and Coal Extraction and Products	7	7.80%	8	7.80%	9	7.80%	9	6.00%	10	6.40%	11	7.40%	11	7.86%
Chemicals and Allied Products	7	7.80%	6	5.80%	6	5.20%	7	4.70%	7	4.50%	6	4.00%	6	4.29%
Business Equipment	9	10.00%	15	14.60%	17	14.70%	23	15.30%	24	15.40%	23	15.40%	20	14.29%
Telephone and Television Transmission	1	1.10%	4	3.90%	5	4.30%	7	4.70%	8	5.10%	7	4.70%	7	5.00%
Utilities	5	5.60%	3	2.90%	5	4.30%	8	5.30%	9	5.80%	8	5.40%	8	5.71%
Wholesale, Retail, and Some Services	4	4.40%	7	6.80%	10	8.60%	9	6.00%	10	6.40%	10	6.70%	5	3.57%
Healthcare, Medical Equipment, and Drugs	6	6.70%	8	7.80%	9	7.80%	12	8.00%	12	7.70%	11	7.40%	13	9.29%
Money/Finance	19	21.10%	18	17.50%	19	16.40%	24	16.00%	26	16.70%	23	15.40%	23	16.43%
Other	10	11.10%	11	10.70%	12	10.30%	16	10.70%	16	10.30%	15	10.10%	15	10.71%
Market Capitalization (in millions)														
BRT Member Firms		$ 32,939		$ 44,711		$ 45,572		$ 39,514		$ 42,971		$ 53,986		$ 56,246
Other Compustat Firms		$ 5,038		$ 5,211		$ 5,935		$ 5,643		$ 6,567		$ 8,457		$ 9,804

Appendix 4: Determinants of BRT Membership

This table reports the firm level determinants of managerial activism. Probit estimations are carried out where an indicator variable takes the value of 1 for Business Roundtable (BRT) firms and is 0 for matched sample of firms that are not BRT members. Variable definitions are provided in Appendix 1. The first column controls for size, age and Tobin's q. The second column includes Fama-French 12 industry classifications in addition to size, age and Tobin's q. The third column also includes year fixed effects. Standard errors are clustered by industry (Fama-French 12 industries). Robust z-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

	(1)	(2)	(3)
VARIABLES	BRT member	BRT member	BRT member
Size	**0.140***	**0.288*****	**0.295*****
	(1.859)	**(3.031)**	**(3.113)**
Age	**0.0198*****	0.0139	0.0142
	(3.094)	(1.355)	(1.364)
Tobin's Q	0.0349	0.0297	0.0352
	(0.235)	(0.182)	(0.211)
Consumer Durables		**2.141*****	**2.171*****
		(16.78)	**(16.53)**
Manufacturing		**1.368*****	**1.369*****
		(9.505)	**(9.136)**
Energy		**1.178*****	**1.181*****
		(15.47)	**(15.34)**
Chems		**1.668*****	**1.668*****
		(15.85)	**(15.57)**
BusEq		**1.188*****	**1.191*****
		(17.72)	**(18.28)**
Telecom		**0.423****	**0.423****
		(2.473)	**(2.475)**
Utilities		**0.455***	**0.462***
		(1.957)	**(1.934)**
Shops		**0.563*****	**0.569*****
		(7.205)	**(7.464)**
Health		**1.283*****	**1.279*****
		(26.18)	**(23.77)**
Money/Finance		**0.607*****	**0.606*****
		(3.105)	**(3.112)**
Other		**1.944*****	**1.962*****
		(18.61)	**(18.80)**
Year Fixed Effects?	No	No	Yes
Observations	1,204	1,204	1,204

Appendix 5: Residual Analysis

Figures below show the residuals from various models that are analyzed. The figures in the first column show a kernel density plot as compared to a normal plot to see if the residuals are normally distributed. The figures in the second column plot the residuals against the predicted values from the model to understand if there are any heteroscedasticity issues. The third column and the fourth column figures show the quintile normal and the probability normal plots to understand if there are any outliers in the tails and the middle range of residuals, respectively.

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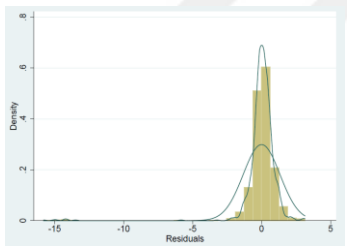	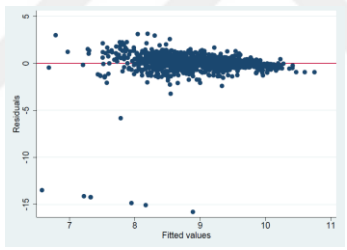	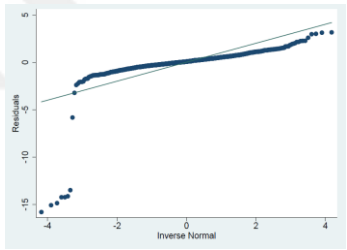	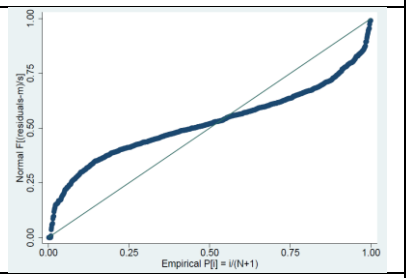
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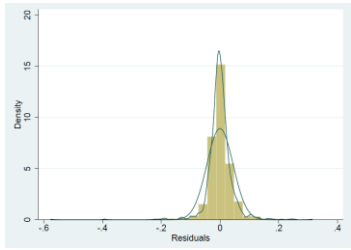	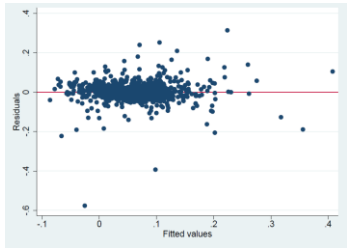	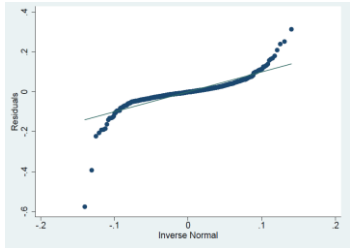	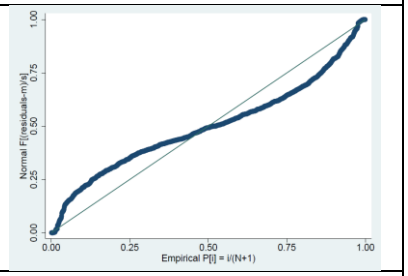
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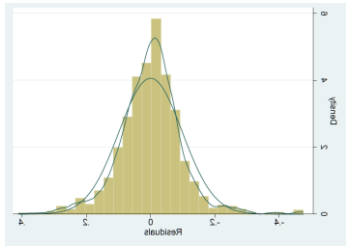	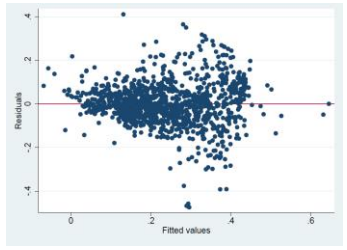	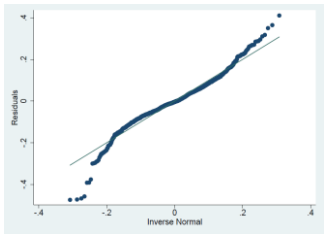	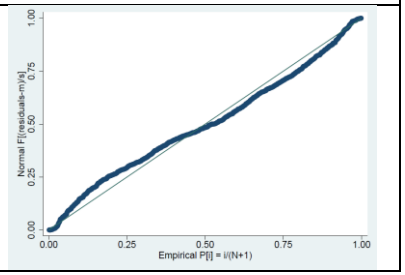

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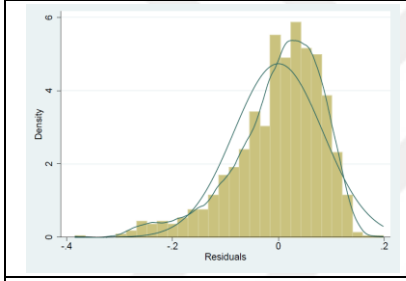	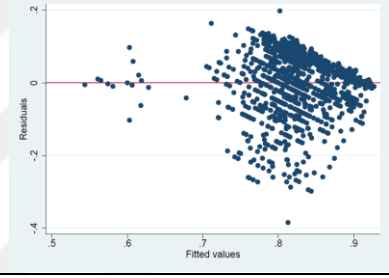	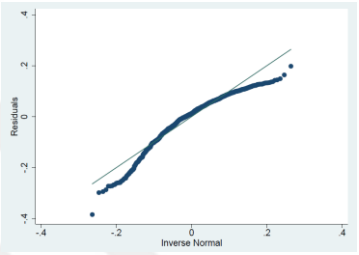	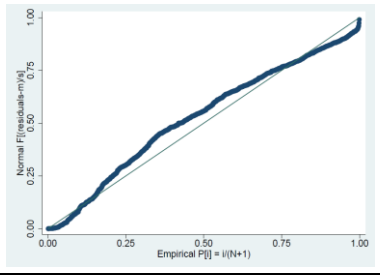
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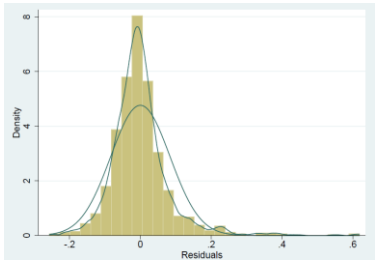	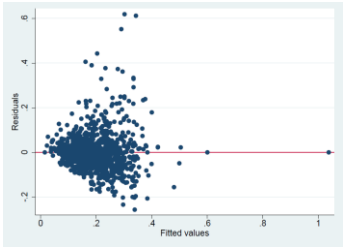	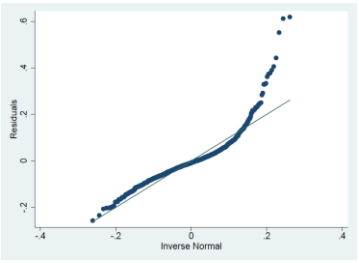	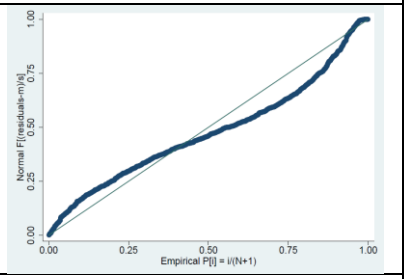
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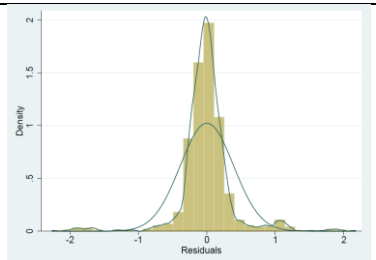	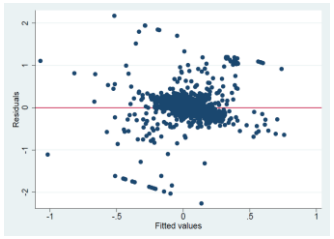	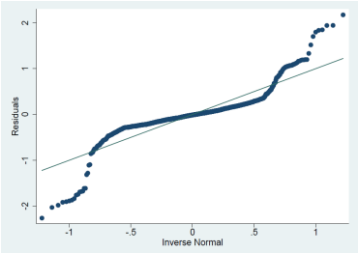	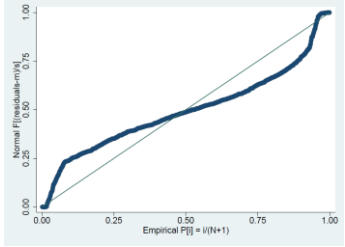

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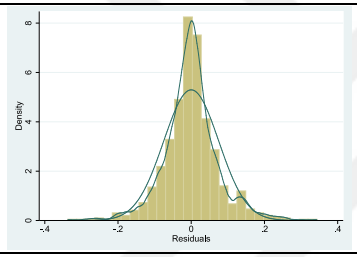	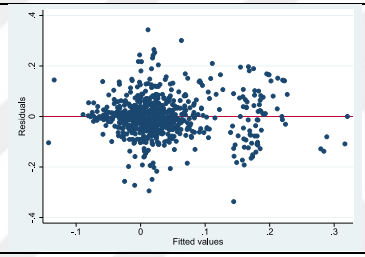	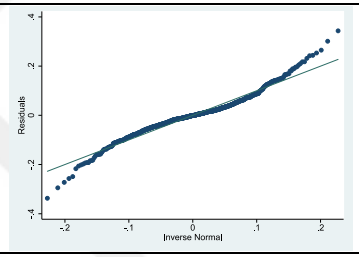	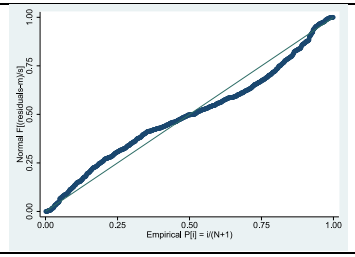
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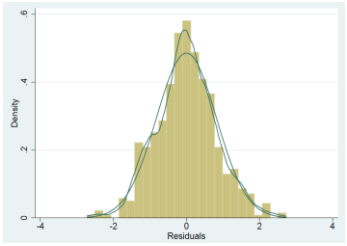	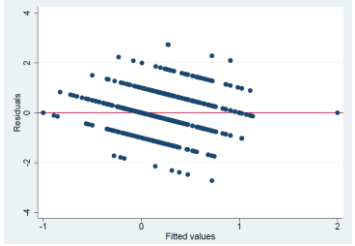	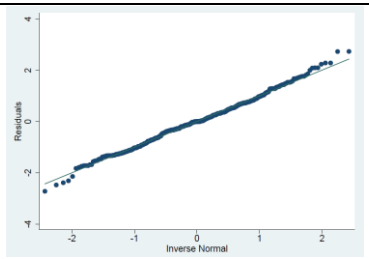	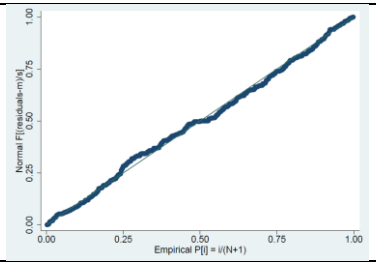
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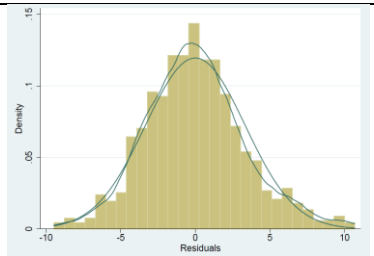
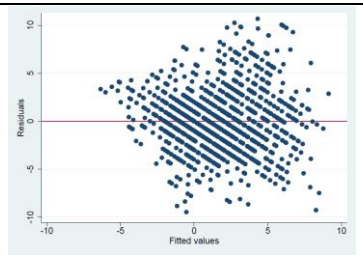
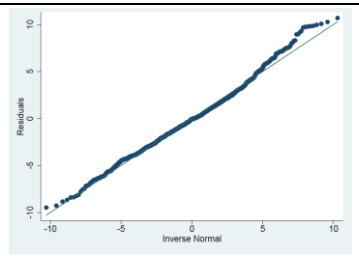
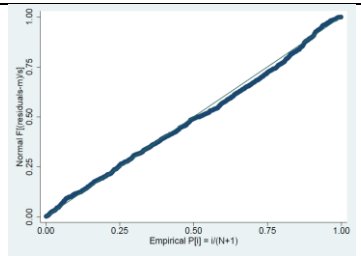
			

Appendix 6: Full Sample Results

Table A6.1

This table provides summary statistics and mean comparisons of all BRT Members and non members for the full sample 2008 and 2014. Variable Definitions are described in Appendix I. ***,**, and * denote statistical significance based on two-sided tests at the 1%, 5% and 10% level, respectively. The difference column shows the difference between mean values of matched Business Roundtable members and non members. Shareholder Activism percentages are calculated for the smaller sample for which there were instances of shareholder activism. Activist Campaign is calculated as a percent of the whole sample.

	BRT Member (Full Sample) [A]		**Non BRT member (Full Sample) [B]**		**[A] - [B]**
Firm Characteristics	Mean	S.D.	Mean	S.D.	Difference
Tobin's Q	1.60	0.68	1.81	1.15	-0.17
Size	10.20	1.27	7.86	1.51	2.896***
Age	37.11	19.45	24.58	15.19	14.64***
Return on Assets	0.06	0.06	0.05	0.09	0.0238**
Return on Equity	0.16	0.21	0.09	0.26	0.129***
Operating Profit Margin	0.16	0.11	0.14	0.46	0.0756***
Net Income/Sales	0.09	0.09	0.07	0.13	0.0515***
EBITDA/Sales	0.22	0.13	0.20	0.15	0.0665***
Free Cash Flow Dummy	0.87	0.34	0.81	0.39	0.133***
Long Term Debt/Assets	0.21	0.14	0.19	0.18	-0.03
R&D Expenses (zero for non reporting)	0.02	0.03	0.03	0.05	-0.01
CAPEX/PPE	0.20	0.10	0.29	4.19	-0.01
Intangible Assets	0.74	0.25	0.76	0.24	-0.01
Dividend Yield	0.02	0.02	0.02	0.04	0.00798*
Total Payouts	0.06	0.05	0.04	0.05	0.0150***
HHI	0.25	0.21	0.22	0.20	0.00
Number of analysts	17.95	7.76	10.38	7.37	8.881***
CEO Characteristics					
CEO Chairman Duality	0.71	0.45	0.48	0.50	0.311***
CEO Tenure	7.81	6.72	10.49	9.18	0.33
CEO Founder	0.01	0.10	0.09	0.29	0.00
CEO Power	1.26	0.75	1.18	0.96	0.357***
CEO Total Compensation	9.29	0.62	8.15	1.14	1.196***
CEO compensation without stock options	7.22	0.56	6.63	1.18	0.964***
CEO Stock Options	7.91	0.76	6.92	1.13	1.033***
CEO Ownership	0.38	1.35	1.98	5.22	-1.295***
Governance Variables					
Independent Directors	0.85	0.08	0.78	0.11	0.0564***
Board Size	11.26	1.90	9.17	2.33	2.211***
E-index	3.62	1.08	3.69	1.20	-0.658***
Institutional Ownership	0.75	0.15	0.81	0.17	-0.102***
Blockholders	0.41	0.40	0.39	0.33	0.106***
Corporate Social Responsibility Variables					
Total CSR Index	2.97	4.61	-0.04	2.87	3.528***
Total Environmental Index	0.77	1.62	0.19	0.87	0.569***
Total Community Index	0.60	0.95	0.12	0.51	0.627***
Total Diversity Index	1.73	1.80	-0.12	1.36	2.244***
Total Employee Rel. Index	0.77	1.91	0.17	1.17	0.855***
Total Product Index	-0.51	1.02	-0.10	0.60	-0.586***
Number of firms	*911*		*8787*		

Appendix 6: Full Sample Results (Cont'd)

Table A6.2

The table looks at the relationship between corporate governance and managerial activism for the full sample. Managerial activism takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation.First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation. CEO compensation is measured as the natural logarithm of Total Compensation from Execucomp (ltd1 = Salary + Bonus + Other Annual + Restriced Stock Grants + LTI). Columns 3 and 4 look at CEO compensation (salary and bonus) and CEO stock option awards, separately. CEO ownership in column 5 is measured as percentage of shares owned excluding options. CEO Tenure is the number of years since the manager became a CEO. CEO Founder is an indicator variable equal to 1 if the current CEO was also the founder and zero otherwise. Panel B, Column 1 looks at entrenchment, measured using the entrenchment index of Bebchuk, Cohen and Ferrell (2009).Next two columns are on institutional ownership and blockholders, represented as holdings of instutitions and blockholders as percentage of shares ooutstanding. Last two columns have Board Size and the number of independent directors as the dependent variable. Variable definitions are reported in Appendix 1. All estimations include industry and year fixed effects, where 2 digit SIC codes are used for industry classifications. Standard errors are clustered by industry. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: CEO Characteristics

VARIABLES	(1) CEO Chairman Duality	(2) CEO Total Compensation	(3) CEO compensation without stock options	(4) CEO stock option awards	(5) CEO Ownership (excluding options)	(6) CEO Tenure	(7) CEO Founder
BRT Member	**0.152*** **	**0.197** **	**0.272***	0.0242	-0.308	-0.956	-0.0117
	(3.852)	**(2.349)**	**(1.886)**	(0.264)	(-1.061)	(-1.319)	(-0.644)
Size	0.0300***	0.371***	0.0984*	0.473***	-0.479***	-0.651***	-0.0277***
	(2.691)	(11.02)	(1.860)	(28.92)	(-5.106)	(-4.286)	(-6.754)
Tobin's Q	0.00297	0.0694**	-0.0742*	0.274***	0.0206	-0.113	0.00900*
	(0.321)	(2.340)	(-1.979)	(14.43)	(0.266)	(-0.570)	(1.894)
Free Cash Flow Indicator	0.0309	0.0822	0.105	-0.0704	0.181	1.310***	0.00443
	(1.225)	(1.549)	(1.599)	(-1.326)	(0.923)	(3.900)	(0.383)
Leverage	-0.162**	0.467***	0.339	-0.00710	-3.136***	-4.994***	-0.137***
	(-2.560)	(2.889)	(1.602)	(-0.0511)	(-3.746)	(-2.960)	(-3.211)
Intangible Assets	-0.128**	0.270	0.123	0.559***	-1.143	-3.175*	-0.0873*
	(-2.041)	(1.165)	(0.550)	(3.824)	(-1.637)	(-1.745)	(-1.825)
Observations	9,176	9,134	9,098	5,181	8,357	7,762	9,176
R-squared	0.072	0.325	0.099	0.467	0.101	0.078	0.110

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Corporate Governance

VARIABLES	(1) E-Index	(2) Institutional Ownership	(3) Blockholder Ownership	(4) Board Size	(5) Independent Directors
BRT Member	-0.00327	**-0.0453*** **	0.0144	0.200	**0.0271*** **
	(-0.0288)	**(-3.055)**	(0.409)	(1.236)	**(4.186)**
Size	-0.0874***	0.000829	0.0114	0.777***	0.0135***
	(-4.113)	(0.241)	(1.576)	(22.86)	(7.598)
Tobin's Q	-0.0803***	0.00524*	0.00101	-0.0330	-0.00338
	(-3.264)	(1.839)	(0.175)	(-0.961)	(-1.176)
Free Cash Flow Indicator	0.00432	0.000978	-0.0179	0.0553	-0.00116
	(0.0844)	(0.130)	(-1.461)	(0.715)	(-0.298)
Leverage	0.344**	0.104***	0.0209	0.162	0.0403**
	(2.527)	(4.430)	(0.413)	(0.664)	(2.510)
Intangible Assets	-0.249	0.0408	-0.0116	-0.603	-0.0111
	(-1.105)	(1.069)	(-0.160)	(-1.473)	(-0.420)
Observations	9,176	9,176	9,176	9,172	9,172
R-squared	0.141	0.291	0.153	0.433	0.150

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.3

The table explores the relationship between managerial activism and firm performance for the full sample. Managerial activism is measured as memebership to Business Round Table (BRT). Firm performance measures are return on assets, return on equity, EBITDA/Assets, R&D and Capital Expenditures. Annual and 3 year backward/forward average return on assets are considered. All dependent variables are winsorized at 1 percent. Control variables used are size, Tobin's Q and age of the firm. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Full Sample

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	0.000722	0.00203	0.00208	0.00482	**0.0282*** **	-0.00158	0.0861
	(0.280)	(0.762)	(0.636)	(0.912)	**(2.715)**	(-0.728)	(1.050)
Size	0.00195	0.00192	0.00204	-0.000907	0.0124***	-0.00212**	-0.0475
	(1.565)	(1.426)	(1.314)	(-0.431)	(3.674)	(-2.536)	(-1.270)
Tobin's Q	0.0355***	0.0354***	0.0325***	0.0349***	0.0451***	0.00987***	-0.0109
	(8.040)	(7.234)	(7.483)	(9.743)	(6.031)	(3.660)	(-0.251)
Cash Flow Indicator	0.104***	0.0572***	0.0611***	0.0400***	0.263***	-0.0144**	0.112
	(6.424)	(5.358)	(5.435)	(5.769)	(8.661)	(-2.005)	(0.742)
Observations	9,697	8,527	6,340	5,946	9,697	9,698	9,038
R-squared	0.462	0.440	0.443	0.568	0.232	0.403	0.021

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Industry Adjusted Full Sample

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	0.00146	0.00129	0.00369	0.00445	**0.0252***	-0.00117	0.00751
	(0.575)	(0.448)	(1.292)	(0.926)	**(1.877)**	(-0.548)	(0.730)
Size	0.00168	0.00309**	0.000818	-0.000768	0.0128***	-0.00211**	-0.0111***
	(1.542)	(2.270)	(0.668)	(-0.371)	(3.150)	(-2.559)	(-5.343)
Tobin's Q	0.0328***	0.0354***	0.0307***	0.0349***	0.0442***	0.00826***	0.0275***
	(11.20)	(10.79)	(11.36)	(9.819)	(5.394)	(4.550)	(10.17)
Cash Flow Indicator	0.0879***	0.0474***	0.0496***	0.0375***	0.260***	-0.0104**	-0.0301***
	(6.821)	(6.012)	(6.396)	(5.729)	(7.577)	(-2.435)	(-6.881)
Observations	9,697	6,248	6,247	5,946	9,697	9,698	9,038
R-squared	0.454	0.445	0.409	0.352	0.138	0.076	0.086

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.4

The table explores the relation between shareholder activism and managerial activism for the full sample. Managerial activism is measured as membership to Business RoundTable (BRT). Shareholder activism and hostile tactcs are measured in four different ways (all are indicator variables): activist campaign initiated against the firm, proxy fight initiated against the firm, threat to use hostile tactics by activists and board seats obtained by activists. The probit results are given for the matched, balanced BRT sample. Three different specificiations are used. In the first four columns, industry and year fixed effects are used as controls. In the second four columns control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets. In the last four columns, the control variables are determinants of shareholder activism as identified in Brav, Jiang, Partnoy and Thomas (2008). The regressions are calculated for which there are enough observations. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust z-statistics are in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, respectively.

VARIABLES	(1) Activist Campaign	(2) Proxy Fight	(3) Hostile Tactic Used	(4) Board Seats Won	(1) Activist Campaign	(2) Proxy Fight	(3) Hostile Tactic Used	(4) Board Seats Won	(1) Activist Campaign	(2) Proxy Fight	(3) Hostile Tactic Used	(4) Board Seats Won
BRT Member	**0.478*** **	**-0.885*** **	**-0.944*** **	-0.447*	**0.247*** **	**-0.752*** **	**-0.742*** **	-0.329	**0.207** **	**-0.600** **	**-0.659** **	0.0392
	(4.981)	**(-3.308)**	**(-4.133)**	(-1.907)	**(3.196)**	**(-2.759)**	**(-2.881)**	(-1.203)	**(2.388)**	**(-2.102)**	**(-2.537)**	(0.112)
Size					0.110***	-0.206***	-0.167***	-0.0857	0.108***	-0.499***	-0.387***	-0.315***
					(4.549)	(-2.723)	(-3.148)	(-1.592)	(3.718)	(-4.275)	(-4.746)	(-2.934)
Tobin's Q					-0.0688	-0.349**	-0.303***	-0.298*	-0.0289	-0.693***	-0.532***	-0.361*
					(-1.599)	(-2.323)	(-3.396)	(-1.861)	(-0.547)	(-3.390)	(-3.823)	(-1.899)
Cash Flow Indicator					-0.257***	0.0288	0.102	-0.286				
					(-3.273)	(0.158)	(0.501)	(-1.321)				
Intangible Assets					-0.399*	0.355	1.102*	0.447				
					(-1.745)	(0.577)	(1.647)	(0.699)				
Leverage					-0.0302	-1.293**	-0.821	-0.606	0.213	-0.615	-0.433	-0.725
					(-0.138)	(-2.377)	(-1.603)	(-0.989)	(1.089)	(-1.165)	(-0.812)	(-1.031)
E_Index									-0.0149	-0.118	-0.105	0.0745
									(-0.515)	(-1.569)	(-1.409)	(0.650)
ROA									-1.414***	1.488	0.448	-1.189*
									(-4.047)	(1.398)	(0.498)	(-1.815)
Div Yield									1.189**	2.743*	1.042	2.902
									(2.150)	(1.774)	(0.641)	(1.511)
Number of Analysts									0.00122	0.0495***	0.0438***	0.0476***
									(0.199)	(2.974)	(3.009)	(2.751)
Institutional Ownership									-0.277	-0.941	-0.820	0.761
									(-1.255)	(-1.442)	(-1.220)	(0.846)
R&D to Assets									0.223	3.103	2.244	1.545
									(0.342)	(1.620)	(1.096)	(0.745)
R&D Indicator									0.0844	0.102	0.202	0.755***
									(0.951)	(0.337)	(0.815)	(2.765)
HHI									-0.108	-0.868	-0.886	-0.398
									(-0.536)	(-1.442)	(-1.529)	(-0.660)
Observations	9,307	488	521	430	8,789	466	499	419	7,473	413	428	348

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.5

The cumulative abnormal returns (CARs) are reported for the shareholder activism events for both the firms that are members of Business Round Table (BRT) and those that are not (Non BRT) for the full sample. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The CARs are calculated for four different event windows and statistical difference from zero is calculated using t-tests. Differences of CARs between BRT and Non-BRT firms are carried also given with corresponding t-tests. The results are given for the overall shareholder activism events in Panel A. In Panel B and Panel C, friendly and hostile shareholder activism results are reported, respectively. Shareholder activism tactics are considered as friendly and hostile following the definition of Brav et al. (2008). Variable definitions are in Appendix 1. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively.

Panel A: All Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	1.01%***	3.13%***	-0.0213**
(0,+2)	0.95%*	2.7%***	-0.0175**
(-3,+3)	0.78%**	3.57%***	-0.0278***
(-1,+2)	1.11% ***	2.87%***	-0.0177**
Equally weighted			
(-2,+2)	0.99%***	3.13%***	-0.0215**
(0,+2)	0.93%**	2.68%***	-0.0174**
(-3,+3)	0.79%***	3.6%***	-0.0281***
(-1,+2)	1.11%***	2.84%***	-0.0173**
N	*111*	*402*	

Panel B: Hostile Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	2.44%	5.62%***	-0.0318
(0,+2)	1.99%	5.17%***	-0.0318
(-3,+3)	1.87%	6.34%***	-0.0447
(-1,+2)	1.96%	5.48%***	-0.0352
Equally weighted			
(-2,+2)	2.23%	5.54%***	-0.0332
(0,+2)	1.77%	5.14%***	-0.0337
(-3,+3)	1.52%	6.31%***	-0.0479
(-1,+2)	1.81%	5.38%***	-0.0357
N	*12*	*118*	

Panel C: Friendly Shareholder Activism

CAR	BRT	Non-BRT	Difference - t test
Value weighted			
(-2,+2)	0.83%***	2.1%***	-0.0127
(0,+2)	0.83%*	1.67%***	-0.00844
(-3,+3)	0.65%**	2.41%***	-0.0176*
(-1,+2)	1%***	1.79%***	-0.00789
Equally weighted			
(-2,+2)	0.83%***	2.13%***	-0.013
(0,+2)	0.83%**	1.65%***	-0.00823
(-3,+3)	0.7%**	2.48%***	-0.0177*
(-1,+2)	1.03%***	1.79%***	-0.00761
	99	*284*	

Appendix 6: Full Sample Results (Cont'd)

Table A6.6

Panel A

The table explores the cumulative abnormal reaction with respect to the hostile tactics and most requested campaign types for the full sample. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1)	(2)	(3)	(4)
Hostile Tactic	0.0385***			
	(4.756)			
Hostile Tactic * BRT Member	-0.0318			
	(-1.365)			
Board Control		0.0294***		
		(3.389)		
Board Control * BRT Member		-0.0235		
		(-0.991)		
Corp. Gov.			-0.0189	
			(-1.562)	
Corp. Gov. * BRT Member			-0.00557	
			(-0.275)	
Maximize Value				0.0353***
				(4.261)
Maximize Value * BRT Member				-0.0148
				(-0.790)
Observations	513	513	513	513
R-squared	0.042	0.022	0.008	0.035

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A6.6

Panel B

The table explores the relationship between the cumulative abnormal reaction around shareholder activism, managerial activism and different firm governance and performance characteristics for the full sample. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism is measured as memebership to Business Round Table (BRT). The indicator takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO Chairman Duality	0.00462											
	(0.600)											
CEO Chairman Duality*BRT Member	**-0.0200***											
	(-1.917)											
CEO Total Compensation		-0.00418										
		(-1.511)										
CEO Total Compensation*BRT Member		**-0.00163***										
		(-1.692)										
CEO Ownership (excl. options)			0.00106									
			(1.313)									
CEO Ownership (excl. options) * BRT Member			-0.000289									
			(-0.0605)									
CEO stock options				-0.00548								
				(-1.319)								
CEO stock options * BRT Member				-0.00105								
				(-0.690)								
E Index					0.00129							
					(0.456)							
E Index*BRT Member					-0.00397							
					(-1.587)							
Institutional Ownership						-0.00658						
						(-0.334)						
Institutional Ownership * BRT Member						**-0.0265****						
						(-2.268)						
Institutional Block Ownership							0.00936					
							(0.896)					
Institutional Block Ownership*BRT Member							**-0.0352****					
							(-2.781)					
Board Size								-0.00170				
								(-1.184)				
Board Size*BRT Member								**-0.00141***				
								(-1.824)				
Independent Percent									-0.0375			
									(-1.129)			
Independent Percent*BRT Member									**-0.0210****			
									(-2.080)			
Size										-0.00353*		
										(-1.649)		
Size*BRT Member										-0.00104		
										(-1.082)		
Tobin's Q											-0.00391	
											(-1.309)	
Tobin's Q* BRT Member											**-0.0127****	
											(-2.463)	
Number of Analyst Estimates												-6.40e-05
												(-0.171)
Number of Analyst Estimates*BRT Member												**-0.000860****
												(-2.116)
Observations	513	510	456	278	513	513	513	513	513	513	513	503
R-squared	0.007	0.016	0.004	0.012	0.005	0.010	0.015	0.015	0.014	0.020	0.015	0.013

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.7

The table explores the relationship between shareholder activism, managerial activism and firm performance in order to understand the effect of shareholder activism on BRT firms for the full sample. Panel A looks at firm performance variables using both "as is" and industry-adjusted values. Panel B focuses on corproate governance variables. Panel C analyzes firm payouts and debt levels. and firm performance. Managerial activism is measured as membership to Business Round Table (BRT). All dependent variables are winsorized at 1 percent and show the differences around activism event years [t+1,t-1] in Panels A1, B1 and C1 and [t+2,t-1] in Panels A2, B2, C2. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A1: Firm Performance

[t+1, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.000528	-0.00138	-0.00149	-0.00118*	0.000560	0.00317	0.000331	-0.00217	-0.00161	0.000809	0.000137	0.00117	-0.00139**	0.00157
	(0.288)	(-0.577)	(-0.225)	(-1.897)	(0.162)	(0.997)	(0.189)	(-0.893)	(-0.706)	(0.440)	(0.0628)	(0.123)	(-2.339)	(0.540)
Post Shareholder Activism Dummy	0.0126**	0.00727**	0.0272	0.00270***	0.00970**	0.0103***	0.0135***	0.00581*	0.0131**	0.00642*	0.00572*	0.0248	0.00232**	0.00934***
	(2.294)	(2.386)	(1.444)	(2.791)	(2.581)	(2.918)	(2.779)	(1.815)	(2.577)	(1.857)	(1.760)	(0.774)	(2.385)	(2.703)
Post Shr. Act. Dum. * BRT Member	-0.00701	-0.000210	-0.0136	**-0.00277****	-0.000928	-0.0102*	-0.00690	-0.00310	-0.00989	0.000692	-0.0115	-0.0210	**-0.00265****	0.00121
	(-0.882)	(-0.0376)	(-0.514)	**(-2.004)**	(-0.0787)	(-1.979)	(-0.868)	(-0.573)	(-0.918)	(0.113)	(-1.313)	(-0.501)	**(-2.069)**	(0.103)
Observations	6,193	5,114	6,193	6,194	5,743	5,879	6,193	3,290	3,286	5,893	3,116	6,193	6,194	5,743
R-squared	0.058	0.072	0.028	0.018	0.071	0.059	0.009	0.017	0.019	0.015	0.047	0.053	0.014	0.008

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel A2: Firm Performance

[t+2, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	9.03e-05	-0.00352	3.36e-05	-0.00154	-0.00147	0.00472	0.000545	-0.00393	-0.00411	0.00102	-0.000929	-0.00639	-0.00196**	0.000930
	(0.0324)	(-0.952)	(0.00361)	(-1.513)	(-0.328)	(0.976)	(0.191)	(-1.123)	(-1.095)	(0.370)	(-0.248)	(-0.500)	(-2.139)	(0.241)
Post Shareholder Activism Dummy	0.0240***	0.0168***	0.0309	0.00532***	0.00756	0.0138**	0.0232***	0.0131**	0.0121	0.00968**	0.00505	0.0270	0.00381***	0.00841
	(3.188)	(3.445)	(1.531)	(2.913)	(1.462)	(2.239)	(3.150)	(2.588)	(1.529)	(2.222)	(1.091)	(0.930)	(2.831)	(1.657)
Post Shr. Act. Dum. * BRT Member	**-0.0214***	-0.00589	-0.0205	**-0.00625****	0.00659	-0.0114	-0.0163	-0.00936	0.00335	-0.00636	-0.0104	0.0866	**-0.00483***	0.00876
	(-1.833)	(-0.600)	(-0.582)	**(-2.118)**	(0.323)	(-1.230)	(-1.368)	(-0.921)	(0.219)	(-0.642)	(-0.798)	(0.956)	**(-1.781)**	(0.434)
Observations	4,669	3,666	4,669	4,670	4,319	4,426	4,669	2,048	2,047	4,437	1,937	4,669	4,670	4,319
R-squared	0.078	0.094	0.045	0.026	0.063	0.086	0.016	0.027	0.024	0.029	0.067	0.095	0.023	0.014

Appendix 6: Full Sample Results (Cont'd)

Table A6.7 (Cont'd)

Panel B1: Corporate Governance Characteristics

[t+1, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.00736	0.00920	-0.0409	0.144**	0.0247	-0.0460*	-0.0820*	-0.00623**	-0.0286	-0.124	-0.00174
	(0.350)	(0.190)	(-1.328)	(2.474)	(0.723)	(-1.886)	(-1.715)	(-2.145)	(-1.628)	(-1.476)	(-0.480)
Post Shareholder Activism Dummy	0.00608	-0.0171	0.0708	0.343*	0.0864	0.0793	-0.0856**	-0.00246	0.0134	-0.0777	0.00493
	(0.317)	(-0.316)	(1.113)	(1.904)	(1.474)	(1.124)	(-2.039)	(-0.361)	(0.828)	(-0.958)	(1.137)
Post Shr. Act. Dum. * BRT Member	0.00571	0.0131	-0.136	**-0.338***	-0.0863	**-0.253****	-0.00538	0.0105	-0.0750	0.0808	-0.00137
	(0.105)	(0.0695)	(-1.632)	**(-1.782)**	(-1.038)	**(-2.114)**	(-0.0605)	(0.929)	(-1.400)	(0.360)	(-0.146)
Observations	6,194	4,828	6,164	5,426	6,136	2,890	6,194	6,194	6,194	6,191	6,191
R-squared	0.012	0.026	0.022	0.045	0.027	0.049	0.123	0.245	0.027	0.015	0.013

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B2: Corporate Governance Characteristics

[t+2, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.00796	0.0257	-0.0774*	0.170**	0.0282	-0.0594	-0.121	-0.00638*	-0.0596***	-0.215*	-0.00151
	(0.231)	(0.329)	(-1.767)	(2.059)	(0.622)	(-1.460)	(-1.596)	(-1.713)	(-2.676)	(-1.997)	(-0.290)
Post Shareholder Activism Dummy	-0.00172	-0.0919	0.0791	0.410	0.0659	0.112	-0.121*	-0.00692	0.0154	-0.132	0.00839
	(-0.0476)	(-1.036)	(0.747)	(1.487)	(0.887)	(0.998)	(-1.754)	(-0.638)	(0.592)	(-1.107)	(1.199)
Post Shr. Act. Dum. * BRT Member	0.0221	**0.502****	-0.0977	-0.441	-0.0403	**-0.472****	-0.0128	0.0101	0.0565	-0.0564	-0.0142
	(0.253)	**(2.264)**	(-0.835)	(-1.475)	(-0.512)	**(-2.225)**	(-0.0571)	(0.686)	(1.147)	(-0.164)	(-0.911)
Observations	4,670	3,398	4,649	3,957	4,629	2,111	4,670	4,670	4,670	4,667	4,667
R-squared	0.026	0.053	0.024	0.062	0.064	0.068	0.171	0.263	0.037	0.025	0.024

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.7 (Cont'd)

Panel C 1: Firm Leverage and Payouts

[t+1, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	-0.00162	-0.00109	-9.94e-05
	(-0.448)	(-1.368)	(-0.0452)
Post Shareholder Activism Dummy	-0.00137	-0.00200*	-0.00522
	(-0.172)	(-1.844)	(-1.060)
Post Shr. Act. Dum. * BRT Member	-0.00810	0.00206	-0.00745
	(-0.604)	(0.770)	(-0.425)
Observations	6,144	6,160	4,336
R-squared	0.053	0.060	0.034

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C 2: Firm Leverage and Payouts

[t+2, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	-0.00438	-0.00185	0.000754
	(-0.776)	(-1.510)	(0.236)
Post Shareholder Activism Dummy	-0.00999	-0.00189	-0.00998
	(-1.040)	(-1.139)	(-1.210)
Post Shr. Act. Dum. * BRT Member	0.00154	-9.27e-05	-0.0151
	(0.0790)	(-0.0167)	(-0.437)
Observations	4,632	4,643	3,032
R-squared	0.068	0.074	0.057

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.8

The Credit Default Swap (CDS) spreads of the firms that are members of Business Round Table (BRT) and those in the full sample that are not members of BRT are reported around the shareholder activism events. 5 Year CDS spread is end of day mid spread as measured in Bloomberg. CDS spreads are end of the month credit rating matched market index (investment grade or high yield) adjusted and are measured in basis points. Daily spread changes are index adjusted spread changes from a day before. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for all days and the difference between trading dates is less than a week. The results are given for the overall shareholder activism events in Panel A. In Panel B and Panel C, friendly and hostile shareholder activism results are reported, respectively. Difference in CDS spreads are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Analysis is conducted for firms that have complete data for the [-3, +3] period.

Panel A: All Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	**5.46*** **	5.51	-0.05
(-2,+2)	**4.71*** **	4.75	-0.04
(-1,+2)	**3.29*** **	4.87	-1.58
(0,2)	1.90*	0.64	1.27
N			*188*

Panel B: Hostile Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	12.28	-6.69	18.96
(-2,+2)	9.19	-3.20	12.39
(-1,+2)	7.87	4.59	3.28
(0,2)	4.07	4.07	-0.01
N			*24*

Panel C: Friendly Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-3,+3)	**4.75** **	8.06	-3.30
(-2,+2)	**4.24** **	6.41	-2.16
(-1,+2)	**2.82** **	4.93	-2.11
(0,2)	1.68	-0.08	1.76
N			*164*

Appendix 6: Full Sample Results (Cont'd)

Table A6.9

Panel A

The table explores the cumulative abnormal reaction with respect to the hostile tactics and most requested campaign types for the full sample. CARs are based on Fama French 3 factor value-weighted and equal-weighted returns for each company around Shareholder Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1)	(2)	(3)	(4)
Hostile Tactic	-8.333			
	(-1.098)			
Hostile Tactic * BRT Member	12.39			
	(1.098)			
Board Control		**-22.10****		
		(-2.264)		
Board Control * BRT Member		**26.00****		
		(2.074)		
Corp. Gov.			**-16.51***	
			(-1.866)	
Corp. Gov. * BRT Member			**16.79***	
			(1.655)	
Maximize Value				4.549
				(0.637)
Maximize Value * BRT Member				5.699
				(0.561)
Observations	188	188	188	188
R-squared	0.008	0.029	0.019	0.011

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A6.9

Panel B

The table explores the relationship between the cumulative abnormal spread changes for CDSs around shareholder activism, managerial activism and different firm governance and performance characteristics for the full sample. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. Activism announcement dates as recorded by Shark Repellent database. The reported event date is [-2, +2]. Managerial activism (BRT Member) takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Variable definitions are in Appendix 1. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
CEO Chairman Duality	-6.459											
	(-1.205)											
CEO Chairman Duality*BRT Member	4.480											
	(0.869)											
CEO Total Compensation		-4.451**										
		(-2.406)										
CEO Total Compensation*BRT Member		0.253										
		(0.573)										
CEO Ownership (excl. options)			-0.392									
			(-0.500)									
CEO Ownership (excl. options) * BRT Member			2.456									
			(1.151)									
CEO stock options				-7.336**								
				(-2.616)								
CEO stock options * BRT Member				-0.556								
				(-0.949)								
E Index					0.654							
					(0.362)							
E Index*BRT Member					0.917							
					(0.756)							
Institutional Ownership						24.51**						
						(2.126)						
Institutional Ownership * BRT Member						3.588						
						(0.651)						
Institutional Block Ownership							12.52*					
							(1.889)					
Institutional Block Ownership*BRT Member							-9.339					
							(-1.453)					
Board Size								0.843				
								(0.872)				
Board Size*BRT Member								-0.178				
								(-0.497)				
Independent Percent									32.35			
									(1.414)			
Independent Percent*BRT Member									-1.510			
									(-0.315)			
Size										-0.0803		
										(-0.0426)		
Size*BRT Member										-0.103		
										(-0.240)		
Tobin's Q											-3.247	
											(-0.745)	
Tobin's Q* BRT Member											-0.439	
											(-0.158)	
Number of Analyst Estimates												-0.273
												(-0.919)
Number of Analyst Estimates*BRT Member												0.0224
												(0.111)
Observations	188	188	179	94	188	188	188	188	188	188	188	185
R-squared	0.008	0.030	0.008	0.099	0.004	0.026	0.019	0.004	0.011	0.001	0.004	0.006

t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Full Sample Results (Cont'd)

Table A6.10

The cumulative abnormal returns (CARs) of the firms that are members of Business Round Table (BRT) and that are not members of BRT within the full sample are given for the event when BRT won the lawsuit against SEC on July 22, 2011 regarding the proxy access rule. CARs are calculated using a Fama French 3 factor value-weighted and equal-weighted model for each company. CARs are calculated for four different event windows. Difference in CARs are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. The Credit Default Swap (CDS) spreads are 5 Year end of day mid spread as measured in Bloomberg. CDS spreads are risk adjusted using end of month credit rating matched market index (investment grade or high yield). Daily spread changes are index adjusted spread changes. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for [-3,+3] period.

Panel A: Stock Market Reaction (CAR)

CAR	BRT Member	Not BRT Member	Difference - t test
Value weighted			
(-2,+2)	-0.45%**	-0.16%**	-0.00284
(0,+2)	-0.43%***	0.0002	-0.00456
(-3,+3)	-0.84%**	-0.0001	-0.00831*
(-1,+2)	-0.0041	-0.0001	-0.00401
Equally weighted			
(-2,+2)	-0.68%***	-0.38%***	-0.00291
(0,+2)	-0.57%***	-0.1%***	-0.00465
(-3,+3)	-0.0072	0.0009	-0.00814*
(-1,+2)	-0.48%*	-0.07%*	-0.0041
N			*1327*

B. Credit Market Reaction (Cumulative abnormal spread changes)

	BRT	Non-BRT	Difference - t test
(-3,+3)	1.09*	3.76***	-2.663**
(-2,+2)	0.03	2.37***	-2.342**
(-1,+2)	-6.36***	-8.55***	2.194***
(0,+2)	-5.33***	-7.67***	2.339***
N			*296*

Appendix 6: Full Sample Results

Table A6.11

The table explores the relationship between corporate social responsibility and managerial activism for the full sample. Managerial activism is measured as membership to Business Round Table (BRT). For corporate social responsibility, all the indices are created by adding the strengths and subtracting the weaknesses within each category. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are given in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

VARIABLES	(1) Total CSR Index	(2) Env. Index	(3) Community Index	(4) Diversity Index	(5) Employee Index	(6) Product Index
BRT Member	**1.180*** **	**0.172***	**0.187*** **	**0.768*** **	**0.134***	-0.144
	(3.422)	**(1.868)**	**(2.908)**	**(5.253)**	**(1.721)**	(-1.603)
Size	0.817***	0.204***	0.130***	0.493***	0.174***	-0.114***
	(8.431)	(7.034)	(10.58)	(14.80)	(4.756)	(-8.399)
Tobin's Q	0.234***	0.0570***	0.0269***	0.0589**	0.0967***	0.00870
	(4.577)	(3.963)	(3.921)	(2.065)	(4.674)	(0.493)
Free Cash Flow Indicator	-0.0619	0.0187	-0.0390**	-0.0492	-0.0703	0.0430*
	(-0.626)	(0.726)	(-2.148)	(-1.012)	(-1.094)	(1.712)
Leverage	-1.092**	-0.0933	-0.212***	-0.399**	-0.327*	0.0976
	(-2.490)	(-0.717)	(-3.316)	(-2.231)	(-1.832)	(1.148)
Intangible Assets	0.342	0.145	0.153*	0.0146	0.136	0.00816
	(0.636)	(0.746)	(1.900)	(0.0817)	(0.909)	(0.105)
Observations	7,718	7,718	7,718	7,718	7,718	7,718
R-squared	0.283	0.275	0.188	0.406	0.241	0.202

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7: Analysis Excluding Financial Crisis Years
Table 7.1
Corporate Governance Characteristics

The table looks at the relationship between corporate governance and managerial activism. Managerial activism takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation.First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation. CEO compensation is measured as the natural logarithm of Total Compensation from Execucomp (ltd1 = Salary + Bonus + Other Annual + Restriced Stock Grants + LTI). Columns 3 and 4 look at CEO compensation (salary and bonus) and CEO stock option awards, separately. CEO ownership in column 5 is measured as percentage of shares owned excluding options. CEO Tenure is the number of years since the manager became a CEO. CEO Founder is an indicator variable equal to 1 if the current CEO was also the founder and zero otherwise. Panel B, Column 1 looks at entrenchment, measured using the entrenchment index of Bebchuk, Cohen and Ferrell (2009).Next two columns are on institutional ownership and blockholders, represented as holdings of instutitions and blockholders as percentage of shares ooutstanding. Last two columns have Board Size and the number of independent directors as the dependent variable. Variable definitions are reported in Appendix 1. All estimations include industry and year fixed effects, where 2 digit SIC codes are used for industry classifications. Standard errors are clustered by industry. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively . Years 2008 and 2009 are excluded from the analysis.

Panel A: CEO Characteristics

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	CEO Chairman Duality	CEO Total Compensation	CEO compensation without stock options	CEO stock options	CEO Ownership (excluding options)	CEO Tenure	CEO Founder
BRT Member	**0.203****	**0.664*****	**-1.091***	**0.860****	-0.0250	**-3.006****	-0.0461
	(2.376)	**(3.280)**	**(-1.773)**	**(2.325)**	(-0.181)	**(-2.623)**	(-1.535)
Size	0.0367	0.0863	0.0165	-0.209	0.442***	-0.648**	-0.000782
	(1.028)	(0.699)	(0.0768)	(-1.245)	(10.05)	(-2.016)	(-0.0816)
Tobin's Q	0.0292	-0.161	0.506	-0.279	0.359***	-0.0420	0.0296
	(0.781)	(-0.807)	(1.340)	(-1.622)	(6.495)	(-0.0631)	(1.308)
Free Cash Flow Indicator	0.0450	-0.113	-0.431	0.200	0.00511	1.367	-0.0389
	(0.621)	(-0.500)	(-0.711)	(0.472)	(0.0464)	(1.029)	(-1.575)
Leverage	-0.211	1.241	-2.935	0.800	0.125	-8.903	-0.0699
	(-0.938)	(1.236)	(-1.108)	(0.920)	(0.218)	(-1.648)	(-0.802)
Intangible Assets	-0.211	0.333	0.596	0.306	-0.274	1.560	0.0739
	(-0.893)	(0.353)	(0.240)	(0.359)	(-0.657)	(0.271)	(0.814)
Observations	825	821	814	820	512	638	825
R-squared	0.215	0.154	0.318	0.162	0.530	0.227	0.252

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Corporate Governance

	(1)	(2)	(3)	(4)	(5)
VARIABLES	E-Index	Institutional Ownership	Blockholder Ownership	Board Size	Independent Directors
BRT Member	0.157	**-0.0585*****	-0.0471	0.412	**0.0376*****
	(0.873)	**(-2.789)**	(-0.850)	(1.637)	**(3.946)**
Size	-0.275***	-0.0266**	0.0468***	0.671***	0.0162**
	(-4.898)	(-2.568)	(3.734)	(7.069)	(2.473)
Tobin's Q	-0.216***	-0.0135	0.0214	-0.109	0.00893
	(-3.197)	(-1.125)	(0.720)	(-0.611)	(0.998)
Free Cash Flow Indicator	-0.132	-0.0301	0.0676*	0.241	-0.00523
	(-0.860)	(-1.623)	(1.964)	(0.514)	(-0.448)
Leverage	-0.366	0.154**	-0.0232	1.504*	0.0935**
	(-0.552)	(2.042)	(-0.151)	(1.819)	(2.170)
Intangible Assets	0.376	0.0293	0.0205	0.926	0.0248
	(0.587)	(0.358)	(0.104)	(0.942)	(0.508)
Observations	825	825	825	825	825
R-squared	0.248	0.438	0.197	0.372	0.277

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.2
Managerial Activism and Firm Performance Excluding Financial Crisis Years

The table explores the relationship between managerial activism and firm performance. Managerial activism is measured as membership to Business Round Table (BRT) for a balanced sample of firms and their matched sample. Firm performance measures are return on assets, return on equity, profitability as measured by EBITDA, R&D and Capital Expenditures. Annual, 3 year backward and 3 year forward averages are considered. All dependent variables are winsorized at 1 percent. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firm Performance

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00389	-0.00428	-0.00235	0.000721	0.0285	-0.00240	-0.00255
	(-0.914)	(-0.851)	(-0.462)	(0.0850)	(1.265)	(-0.438)	(-0.109)
Size	0.00105	0.00282	0.000451	-0.000613	0.0158	-5.64e-05	-0.00639
	(0.418)	(0.987)	(0.198)	(-0.247)	(1.515)	(-0.0318)	(-0.830)
Tobin's Q	0.0498***	0.0456***	0.0404***	0.0463***	0.0714**	0.0103***	0.0377***
	(6.587)	(7.493)	(3.893)	(4.461)	(2.087)	(3.392)	(6.389)
Cash Flow Indicator	0.0533***	0.0294***	0.0349**	0.0317**	0.209***	-0.00421	-0.0441***
	(3.051)	(2.691)	(2.437)	(2.424)	(2.901)	(-0.713)	(-3.732)
Leverage	-0.0371	-0.0554**	-0.0100	0.0528**	0.158	-0.0208**	0.00187
	(-1.364)	(-2.105)	(-0.376)	(2.456)	(0.771)	(-2.190)	(0.0337)
Intangible Assets	-0.0132	-0.0132	-0.00357	-0.0724*	-0.0431	0.0388**	0.200***
	(-0.976)	(-1.270)	(-0.169)	(-1.936)	(-0.344)	(2.368)	(3.694)
Observations	825	824	469	467	825	825	785
R-squared	0.680	0.727	0.745	0.800	0.274	0.523	0.485

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Industry Adjusted Firm Performance

	(1)	(2)	(3)	(5)	(6)	(7)	(8)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00330	-0.00384	-0.00110	0.00119	0.0138	-0.00236	-0.00398
	(-0.780)	(-0.785)	(-0.231)	(0.139)	(0.343)	(-0.430)	(-0.169)
Size	0.000588	0.00354	-0.000327	-0.00122	0.0224	-0.000176	-0.00570
	(0.253)	(1.413)	(-0.160)	(-0.488)	(1.389)	(-0.103)	(-0.735)
Tobin's Q	0.0420***	0.0396***	0.0374***	0.0495***	0.0677**	0.0100***	0.0366***
	(7.111)	(7.427)	(4.148)	(4.337)	(2.467)	(3.552)	(6.343)
Cash Flow Indicator	0.0529***	0.0275**	0.0369**	0.0361**	0.236**	-0.00344	-0.0411***
	(3.101)	(2.459)	(2.592)	(2.479)	(2.512)	(-0.665)	(-3.522)
Leverage	-0.0283	-0.0510**	-0.00119	0.0744***	0.177	-0.0212**	0.00217
	(-1.065)	(-2.197)	(-0.0474)	(2.749)	(0.754)	(-2.250)	(0.0401)
Intangible Assets	-0.0235	-0.00587	-0.00985	-0.0737**	-0.0896	0.0393**	0.183***
	(-1.493)	(-0.526)	(-0.478)	(-2.056)	(-0.451)	(2.348)	(3.920)
Observations	825	785	469	467	825	825	785
R-squared	0.553	0.620	0.620	0.630	0.202	0.292	0.237

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.3
Managerial Activism and Shareholder Activism Excluding Financial Crisis Years

The table explores the relation between shareholder activism and managerial activism. Managerial activism is measured as membership to Business RoundTable (BRT). Shareholder activism and hostile tactcs are measured in four different ways (all are indicator variables): activist campaign initiated against the firm, proxy fight initiated against the firm, threat to use hostile tactics by activists and board seats obtained by activists. The probit results are given for the matched, balanced BRT sample. Three different specificiations are used. In the first four columns, industry and year fixed effects are used as controls. In the second three columns control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets. In the last two columns, the control variables are determinants of shareholder activism as identified in Brav, Jiang, Partnoy and Thomas (2008). The regressions are calculated for which there are enough observations. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust z-statistics are in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1%, respectively. 2008 and 2009 are excluded from the analysis.

VARIABLES	(1) Activist Campaign	(2) Proxy Fight	(3) Hostile Tactic Used	(4) Board Seats Won	(1) Activist Campaign	(2) Hostile Tactic Used	(3) Board Seats Won	(1) Activist Campaign	(2) Hostile Tactic Used
BRT Member	**0.440****	**-1.627*****	**-0.926*****	-0.479	**0.312***	**-0.733***	**-1.698*****	**0.340***	**-1.027***
	(2.463)	**(-2.788)**	**(-2.732)**	(-0.785)	**(1.932)**	**(-1.785)**	**(-3.004)**	**(1.727)**	**(-1.753)**
Size					0.197**	-0.251	-0.0592	0.0664	0.368
					(2.501)	(-1.281)	(-0.148)	(0.577)	(1.136)
Tobin's Q					0.0348	-0.195	0.229	-0.0186	0.0373
					(0.395)	(-0.688)	(0.459)	(-0.152)	(0.0283)
Cash Flow Indicator					-0.215	0.334	-1.731***		
					(-0.825)	(0.670)	(-2.942)		
Intangible Assets					-0.362	0.496	-5.363*		
					(-0.426)	(0.349)	(-1.809)		
Leverage					-0.328	6.683*	13.77***	0.00383	18.54***
					(-0.463)	(1.684)	(2.923)	(0.00460)	(3.830)
E_Index								-0.00731	-0.456
								(-0.112)	(-1.365)
ROA								-1.178	4.055
								(-0.981)	(0.627)
Div Yield								-3.882	-91.45***
								(-0.879)	(-4.037)
Number of Analysts								0.0220*	0.0422
								(1.782)	(0.842)
Institutional Ownership								-1.299**	3.875
								(-2.188)	(1.117)
R&D to Assets								3.184*	-29.48
								(1.724)	(-1.327)
R&D Indicator								-0.0887	-1.561***
								(-0.239)	(-2.593)
HHI								0.511	-3.281
								(0.852)	(-1.062)
Observations	1,017	38	74	37	987	74	37	916	68

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.4 – Firm Performance Pre and Post Activism

The table explores the relationship between shareholder activism, managerial activism and firm performance in order to understand the effect of shareholder activism for BRT firms and their matched peers. Panel A looks at firm performance variables using both "as is" and industry-adjusted values. Panel B focuses on corproate governance variables. Panel C analyzes firm payouts and debt levels. and firm performance. Managerial activism is measured as memebership to Business Round Table (BRT). All dependent variables are winsorized at 1 percent and show the differences around activism event years [t+1,t-1] in Panels A1, B1 and C1 and [t+2,t-1] in Panels A2, B2, C2. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A1: Firm Performance

[t+1, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.00595	0.00104	0.00492	4.41e-05	-0.00593	0.00388	0.00493	0.000909	0.00623	0.00158	0.00254	0.00746	-5.01e-05	-0.00812
	(1.379)	(0.273)	(0.321)	(0.0650)	(-0.842)	(0.848)	(1.143)	(0.251)	(1.360)	(0.379)	(0.844)	(0.284)	(-0.0783)	(-1.223)
Post Shareholder Activism Dummy	0.0128	0.0175	-0.0617*	0.00148	0.0225*	0.0107	0.0110	0.0171	-0.0154	0.00187	-0.0116	-0.237***	0.00148	0.0145
	(1.311)	(0.995)	(-1.985)	(1.493)	(1.982)	(1.663)	(1.021)	(0.788)	(-0.852)	(0.234)	(-1.042)	(-2.945)	(1.349)	(1.513)
Post Shr. Act. Dum. * BRT Member	-0.00932	0.00355	0.0210	**-0.00338****	-0.00152	-0.0106	-0.00427	8.69e-06	0.0125	-0.00431	-0.00575	0.115	**-0.00280****	0.0111
	(-0.752)	(0.211)	(0.457)	**(-2.443)**	(-0.0947)	(-1.031)	(-0.319)	(0.000408)	(0.469)	(-0.306)	(-0.276)	(1.319)	**(-2.116)**	(0.687)
Observations	648	648	648	648	586	622	648	456	314	634	304	648	648	586
R-squared	0.224	0.240	0.105	0.360	0.165	0.164	0.128	0.174	0.290	0.143	0.522	0.089	0.161	0.137

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel A2: Firm Performance

[t+2, t-1]

VARIABLES	(2) ROA Difference	(1) Historical 3 year avg. ROA Difference	(4) ROE difference	(5) R&D expenditure Difference	(6) Capex/PPE Difference	(7) Intangible Assets Difference	(8) Ind. Adj. ROA	(9) Ind. Adj. ROA BCKWD 3 Yr. Avg	(10) Ind. Adj. ROA FWD 3 Yr. Avg.	(15) Ind. Adj. EBITDA/Assets	(16) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(20) Ind. Adj. ROE	(21) Ind. Adj. R&D/Assets	(22) Ind. Adj. Capex/PPE
BRT Member	0.0108	0.00534	0.0322	1.06e-05	0.00446	0.00505	0.0101	0.00716	0.00413	0.00445	-0.00257	0.0526	-5.29e-05	0.00309
	(1.558)	(0.903)	(1.309)	(0.0112)	(0.417)	(0.669)	(1.448)	(1.243)	(0.543)	(0.870)	(-0.479)	(1.175)	(-0.0577)	(0.305)
Post Shareholder Activism Dummy	0.00114	0.0348	-0.0784	0.000409	-0.0172	0.0327**	0.00148	0.0427	-0.00155	0.00376	-0.00918***	-0.110	0.000816	-0.0124
	(0.0890)	(1.242)	(-1.032)	(0.585)	(-1.144)	(2.269)	(0.114)	(1.103)	(-0.428)	(0.369)	(-3.204)	(-0.651)	(1.020)	(-0.990)
Post Shr. Act. Dum. * BRT Member	-0.0137	-7.13e-05	-0.0282	**-0.00582****	**0.0792****	-0.0256	-0.00808	-0.0136	0.00101	-0.0148	-0.0158	-0.0137	**-0.00540***	**0.0808****
	(-0.943)	(-0.00251)	(-0.321)	**(-2.311)**	**(2.492)**	(-1.401)	(-0.534)	(-0.346)	(0.0332)	(-0.639)	(-0.491)	(-0.0774)	**(-1.955)**	**(2.660)**
Observations	484	483	484	484	438	464	484	301	152	473	149	484	484	438
R-squared	0.298	0.302	0.318	0.382	0.217	0.318	0.224	0.226	0.301	0.299	0.401	0.296	0.187	0.157

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.4 Firm Performance Pre and Post Activism

Panel B1: Corporate Governance Characteristics

[t+1, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.0421	-0.0584	-0.206	0.244	-0.108	0.0763	-0.110	0.000228	-0.0575	-0.308**	3.24e-05
	(1.096)	(-0.605)	(-1.092)	(1.482)	(-0.548)	(0.969)	(-1.397)	(0.0502)	(-1.473)	(-2.265)	(0.00486)
Post Shareholder Activism Dummy	0.0197	0.265*	-0.0546	0.505	0.0157	0.0766	-0.203**	0.0661	0.0130	-0.252	0.00161
	(0.292)	(1.989)	(-0.456)	(1.146)	(0.158)	(0.435)	(-2.098)	(1.163)	(0.173)	(-1.149)	(0.140)
Post Shr. Act. Dum. * BRT Member	0.0229	-0.0801	0.0284	-0.727	0.126	0.0883	0.0755	-0.0588	-0.0755	0.211	-0.0192
	(0.308)	(-0.309)	(0.203)	(-1.499)	(0.785)	(0.302)	(0.392)	(-1.005)	(-0.478)	(0.366)	(-1.257)
Observations	648	479	645	626	644	377	648	648	648	648	648
R-squared	0.058	0.144	0.064	0.113	0.027	0.232	0.129	0.361	0.083	0.079	0.101

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B2: Corporate Governance Characteristics

[t+2, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO Ownership (excluding options) Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.0405	-0.0872	-0.450	0.282	-0.228	0.0825	-0.152	0.00133	-0.0980	-0.392**	-0.000508
	(0.685)	(-0.572)	(-1.241)	(1.390)	(-0.575)	(0.712)	(-1.388)	(0.193)	(-1.543)	(-2.069)	(-0.0445)
Post Shareholder Activism Dummy	0.188*	0.137	-0.0771	1.489	-0.0947	-0.140	-0.339**	0.117	0.0575	-0.0853	-0.0202*
	(1.897)	(0.421)	(-0.439)	(0.926)	(-0.428)	(-0.366)	(-2.155)	(1.019)	(0.423)	(-0.257)	(-1.845)
Post Shr. Act. Dum. * BRT Member	-0.154	0.531	-0.0267	-1.882	0.180	0.0106	-0.0216	-0.117	0.0961	-0.193	-0.0150
	(-1.391)	(1.488)	(-0.125)	(-1.176)	(0.525)	(0.0288)	(-0.0714)	(-1.044)	(0.487)	(-0.247)	(-0.630)
Observations	484	321	482	464	480	279	484	484	484	484	484
R-squared	0.116	0.235	0.113	0.189	0.082	0.315	0.145	0.338	0.090	0.168	0.141

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.4 Firm Performance Pre and Post Activism
Panel C 1: Firm Leverage and Payouts

[t+1, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	-0.00321	0.00143*	0.00536**
	(-0.395)	(1.841)	(2.124)
Post Shareholder Activism Dummy	-0.0122*	0.000988	-0.0321
	(-1.813)	(0.449)	(-0.843)
Post Shr. Act. Dum. * BRT Member	0.00592	-0.00309	0.0224
	(0.376)	(-1.322)	(0.529)
Observations	643	646	594
R-squared	0.245	0.197	0.050

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C 2: Firm Leverage and Payouts

[t+2, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(5) Total Payout Difference
BRT Member	-0.0104	0.000562	0.00238
	(-0.780)	(0.479)	(0.526)
Post Shareholder Activism Dummy	-0.0173	8.39e-05	-0.0643
	(-0.947)	(0.0270)	(-0.817)
Post Shr. Act. Dum. * BRT Member	-0.00683	-0.000755	0.0528
	(-0.233)	(-0.145)	(0.638)
Observations	481	481	442
R-squared	0.289	0.150	0.098

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 7 (Cont'd)
Table 7.5
Corporate Social Responsibility and Managerial Activism Excluding Financial Crisis Years

The table explores the relationship between corporate social responsibility and managerial activism. Managerial activism is measured as membership to Business Round Table (BRT). For corporate social responsibility, all the indices are created by adding the strengths and subtracting the weaknesses within each category. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets . Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are given in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Total CSR Index	Env. Index	Community Index	Diversity Index	Employee Index	Product Index
BRT Member	**1.565****	-0.00632	**0.500*****	**1.208*****	-0.0920	-0.0877
	(2.152)	(-0.0308)	**(4.489)**	**(3.871)**	(-0.445)	(-0.572)
Size	1.376***	0.346***	0.147***	0.666***	0.357***	-0.148***
	(5.839)	(6.001)	(4.388)	(6.238)	(5.344)	(-3.352)
Tobin's Q	0.487	0.219***	0.0540	0.268*	0.127	-0.102*
	(1.288)	(2.731)	(0.730)	(1.713)	(0.865)	(-1.816)
Free Cash Flow Indicator	0.277	-0.165	-0.00671	-0.102	0.138	0.0442
	(0.350)	(-0.522)	(-0.0530)	(-0.252)	(0.409)	(0.417)
Leverage	1.182	1.893***	0.000904	-0.199	-0.120	-0.0696
	(0.635)	(2.831)	(0.00205)	(-0.310)	(-0.149)	(-0.148)
Intangible Assets	0.816	0.731	0.371	0.518	0.831	-0.513
	(0.346)	(0.927)	(0.575)	(0.527)	(1.016)	(-1.640)
Observations	631	631	631	631	631	631
R-squared	0.377	0.456	0.235	0.468	0.390	0.285

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8: Other Specifications

Table A8.1 Panel A

The table looks at the relationship between corporate governance and managerial activism. Managerial activism takes a value of one for companies that are members of Business Round Table and is 0 for other firms that are in the matched sample. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage, intangible assets , CEO age and CEO gender. First column looks at CEO Chairman duality where the variable takes the value of 1 for firms where CEO is also the chairman of the board. Second column is on CEO compensation. CEO compensation is measured as the natural logarithm of Total Compensation from Execucomp (ltd1 = Salary + Bonus + Other Annual + Restriced Stock Grants + LTI). Columns 3 and 4 look at CEO compensation (salary and bonus) and CEO stock option awards, separately. CEO tenure is number of years CEO is holding his position, which is analyzed in column 3. CEO ownership in column 5 is measured as percentage of shares owned excluding options. CEO Tenure is the number of years since the manager became a CEO. CEO Founder is an indicator variable equal to 1 if the current CEO was also the founder and zero otherwise. Panel B, Column 1 looks at entrenchment, measured using the entrenchment index of Bebchuk, Cohen and Ferrell (2009).Next two columns are on institutional ownership and blockholders, represented as holdings of instutitions and blockholders as percentage of shares ooutstanding. Last two columns have Board Size and the number of independent directors as the dependent variable. Variable definitions are reported in Appendix 1. All estimations include industry and year fixed effects, where 2 digit SIC codes are used for industry classifications. Standard errors are clustered by industry. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: CEO Characteristics

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	CEO Chairman Duality	CEO Total Compensation	CEO compensation without stock options	CEO stock option awards	CEO Ownership (excluding options)	CEO Tenure	CEO Founder
BRT Member	**0.164****	**0.596****	**0.876****	-0.0383	-0.994	**-2.285*****	-0.0547
	(2.586)	**(2.168)**	**(2.663)**	(-0.228)	(-1.540)	**(-3.045)**	(-1.539)
Size	0.0409	0.135	-0.166	0.477***	-0.0258	-0.664*	-0.00496
	(1.647)	(0.936)	(-1.365)	(9.098)	(-0.0936)	(-1.752)	(-0.424)
Tobin's Q	0.0123	-0.254	-0.526**	0.359***	0.604	0.0941	0.0274
	(0.289)	(-0.872)	(-2.191)	(4.885)	(1.566)	(0.208)	(1.489)
Free Cash Flow Indicator	0.0383	0.291	0.423	-0.0625	-0.580*	0.817	-0.0270
	(0.921)	(1.660)	(1.379)	(-0.684)	(-1.820)	(1.078)	(-1.162)
Leverage	0.0210	1.614*	1.096	-0.284	-1.738	-3.149	-0.0825
	(0.111)	(1.854)	(1.462)	(-0.572)	(-0.807)	(-0.997)	(-0.848)
Intangible Assets	-0.264	0.0373	0.327	-0.350	0.456	-0.526	0.0243
	(-1.043)	(0.0535)	(0.457)	(-0.822)	(0.249)	(-0.136)	(0.267)
CEO Age	0.0182***	0.00906	0.0189	-0.000748	0.166***	0.676***	0.00521*
	(5.912)	(0.561)	(1.183)	(-0.0846)	(2.740)	(10.62)	(1.842)
CEO Gender	-0.00510	-0.0150	-0.805	0.0171	-1.248**	-3.806**	-0.0447
	(-0.0352)	(-0.0816)	(-0.743)	(0.0757)	(-2.037)	(-2.574)	(-1.443)
Observations	959	956	955	642	814	959	959
R-squared	0.259	0.208	0.204	0.497	0.312	0.447	0.280

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table A8.1 Panel B

Panel B: Corporate Governance

VARIABLES	(1) E-Index	(2) Institutional Ownership	(3) Blockholder Ownership	(4) Board Size	(5) Independent Directors
BRT Member	0.249	**-0.0356***	-0.0277	0.328	**0.0386****
	(1.161)	**(-1.722)**	(-0.511)	(1.090)	**(3.284)**
Size	-0.298***	-0.0289***	0.0662***	0.759***	0.0142**
	(-5.315)	(-2.902)	(4.839)	(8.607)	(2.287)
Tobin's Q	-0.237***	-0.0154	0.0183	-0.164	0.00293
	(-2.981)	(-1.346)	(0.673)	(-0.914)	(0.376)
Free Cash Flow Indicator	-0.104	-0.0159	0.0370	0.377	0.00495
	(-0.582)	(-0.850)	(0.852)	(1.295)	(0.524)
Leverage	-0.0513	0.118**	-0.0651	1.023	0.0116
	(-0.0806)	(2.124)	(-0.541)	(0.997)	(0.261)
Intangible Assets	0.452	0.0736	0.0888	-0.350	0.0457
	(0.931)	(0.943)	(0.376)	(-0.303)	(0.821)
CEO Age	-6.90e-05	-0.00193**	-0.00125	0.000842	-0.00217***
	(-0.00752)	(-2.030)	(-0.412)	(0.0442)	(-2.776)
CEO Gender	0.0981	-0.0647*	-0.0357	-0.343	-0.00237
	(0.245)	(-1.688)	(-0.359)	(-0.893)	(-0.131)
Observations	959	959	959	959	959
R-squared	0.249	0.409	0.198	0.382	0.283

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8 (Cont'd)
Table A.8.2

The table explores the relationship between managerial activism, CEO ownership and firm performance. Managerial activism is measured as membership to Business Round Table (BRT) for a balanced sample of firms and their matched sample. Firm performance measures are return on assets, return on equity, profitability as measured by EBITDA, R&D and Capital Expenditures. Annual, 3 year backward and 3 year forward averages are considered. All dependent variables are winsorized at 1 percent. Control variables are the natural logarithm of total assets, beginning of period Tobin's q, an indicator variable of 1 if free cash flow is greater than zero and zero otherwise, leverage and intangible assets. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00619	-0.00534	-0.00174	0.00301	0.0203	-0.00260	0.00351
	(-1.234)	(-1.058)	(-0.329)	(0.386)	(0.863)	(-0.542)	(0.159)
BRT Member*CEO Ownership	0.00256	0.00605	0.00135	0.00351	0.0241	-0.00237	-0.000328
	(1.275)	(1.056)	(1.120)	(0.769)	(1.477)	(-0.946)	(-0.0773)
Size	0.00194	0.00324	0.000593	-0.00221	0.0153	-0.000414	-0.00700
	(0.770)	(1.196)	(0.286)	(-0.979)	(1.592)	(-0.287)	(-1.036)
Tobin's Q	0.0438***	0.0454***	0.0376***	0.0437***	0.0583**	0.0107***	0.0356***
	(5.537)	(8.318)	(4.437)	(4.602)	(2.117)	(4.232)	(6.936)
Cash Flow Indicator	0.0529***	0.0254***	0.0356***	0.0351***	0.202***	-0.00338	-0.0422***
	(3.403)	(2.817)	(3.408)	(3.470)	(3.379)	(-0.789)	(-3.958)
Leverage	-0.0295	-0.0593**	-0.0151	0.0379	0.153	-0.0224**	-0.00866
	(-1.189)	(-2.544)	(-0.585)	(1.572)	(0.939)	(-2.006)	(-0.205)
Intangible Assets	-0.0171	-0.0138	-0.0107	-0.0793**	-0.0565	0.0364***	0.183***
	(-1.067)	(-1.519)	(-0.535)	(-2.460)	(-0.473)	(2.750)	(3.802)
Observations	1,008	964	649	646	1,008	1,008	960
R-squared	0.620	0.716	0.695	0.776	0.287	0.515	0.490

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B: Industry Adjusted

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
VARIABLES	ROA	ROA BCKWD 3 Yr. Avg	ROA FWD 3 Yr. Avg.	EBITDA/Assets 3 Yr. Avg	ROE	R&D/Assets	Capex/PPE
BRT Member	-0.00553	-0.00524	-0.00190	0.00210	0.0196	-0.00245	0.00189
	(-1.186)	(-1.002)	(-0.381)	(0.275)	(0.532)	(-0.509)	(0.0854)
BRT Member*CEO Ownership	0.00292	0.00684	**0.00199***	0.00407	0.0133	-0.00228	-7.09e-05
	(1.551)	(1.262)	**(1.842)**	(0.920)	(0.736)	(-0.906)	(-0.0172)
Size	0.00147	0.00376	0.000167	-0.00230	0.0141	-0.000457	-0.00630
	(0.677)	(1.437)	(0.0868)	(-0.998)	(0.953)	(-0.324)	(-0.933)
Tobin's Q	0.0377***	0.0397***	0.0360***	0.0453***	0.0618***	0.0104***	0.0338***
	(6.128)	(7.170)	(4.770)	(4.446)	(3.013)	(4.348)	(6.803)
Cash Flow Indicator	0.0511***	0.0276**	0.0358***	0.0353***	0.234***	-0.00293	-0.0388***
	(3.361)	(2.487)	(3.492)	(3.295)	(3.038)	(-0.762)	(-3.770)
Leverage	-0.0226	-0.0521**	-0.00889	0.0528*	0.288	-0.0218**	-0.00749
	(-0.974)	(-2.247)	(-0.364)	(1.867)	(1.358)	(-2.040)	(-0.183)
Intangible Assets	-0.0224	-0.00820	-0.0155	-0.0804**	-0.0538	0.0376***	0.169***
	(-1.489)	(-0.679)	(-0.776)	(-2.534)	(-0.339)	(2.709)	(3.890)
Observations	1,008	777	649	646	1,008	1,008	960
R-squared	0.498	0.619	0.564	0.583	0.177	0.282	0.249

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8 (Cont'd)
Table A.8.3

The table explores the relationship between shareholder activism, managerial activism and ceo ownerhsip in order to understand the changes pre and post shareholder activism for BRT firms and their matched peers. Panel A looks at firm performance variables using both "as is" and industry-adjusted values. Panel B focuses on corproate governance variables. Panel C analyzes firm payouts and debt levels. and firm performance. Managerial activism is measured as memebership to Business Round Table (BRT). All dependent variables are winsorized at 1 percent and show the differences around activism event years [t+1,t-1] in Panels A1, B1 and C1 and [t+2,t-1] in Panels A2, B2, C2. Variable definitions are in Appendix 1. All estimations include industry and year fixed effects. Standard errors are clustered by industry. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A1: Firm Performance

[t+1, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.00626	0.000928	0.00708	0.000170	-0.00685	0.00299	0.00488	8.64e-08	0.00565	-2.01e-05	0.00280	0.00921	0.000146	-0.00765
	(1.168)	(0.240)	(0.387)	(0.218)	(-1.153)	(0.609)	(0.896)	(2.50e-05)	(1.134)	(-0.00424)	(0.999)	(0.373)	(0.218)	(-1.302)
Post Shareholder Activism Dummy	0.0161	0.0148	-0.0369	0.00180	0.00785	0.00945	0.0128	-0.0123	0.0130	0.00716	0.00870	-0.182**	0.00153	0.00518
	(1.670)	(0.924)	(-1.046)	(1.649)	(0.690)	(1.293)	(1.192)	(-1.405)	(1.047)	(1.003)	(0.969)	(-2.481)	(1.375)	(0.434)
Post Shr. Act. Dum. * BRT Member	-0.0171	0.00777	0.00960	-0.00301	**-0.00518**	-0.0149	-0.0112	0.0294**	-0.00533	-0.0170	-0.0431***	0.0580	**-0.00347****	-0.00151
	(-1.393)	(0.499)	(0.148)	(-1.620)	**(-0.323)**	(-1.365)	(-0.839)	(2.683)	(-0.114)	(-1.564)	(-2.986)	(0.484)	**(-2.655)**	(-0.0844)
CEO Ownership	0.000524	0.000273	0.00117	0.000288**	**0.00121**	-0.000427	0.000426	-0.000576	-0.000275	0.000306	-0.000179	-0.00189	**0.000339*****	0.00129
	(0.612)	(0.604)	(0.554)	(2.415)	**(1.024)**	(-0.834)	(0.531)	(-0.993)	(-0.660)	(0.811)	(-0.729)	(-0.518)	**(2.876)**	(1.141)
Post Shr. Act. Dum * CEO Ownership	-0.00651***	0.00529	-0.0227***	-0.000129	**0.0216*****	0.00369**	-0.00767***	0.0996	-0.0590*	**-0.0139****	**-0.0382***	**-0.0921****	**-0.000235**	**0.0135*****
	(-3.814)	(0.900)	(-3.157)	(-0.852)	**(7.249)**	(2.451)	(-3.022)	(1.076)	(-1.793)	**(-8.057)**	**(-1.693)**	**(-5.251)**	**(-1.274)**	**(5.173)**
Post Shr. Act. Dum. * BRT Member * CEO Own.	**0.00683****	**-0.0108***	**-0.0326****	0.000485	**0.0408*****	**0.00840***	**0.00881*****	-0.101	0.0773	**0.0414*****	**0.121*****	-0.00810	**0.00100****	**0.0524*****
	(2.512)	**(-1.794)**	**(-2.139)**	(0.580)	**(4.875)**	**(1.993)**	**(3.250)**	(-1.097)	(0.843)	**(10.57)**	**(3.827)**	(-0.315)	**(2.182)**	**(5.422)**
Observations	789	644	789	789	712	755	789	453	449	768	432	789	789	712
R-squared	0.161	0.242	0.072	0.280	0.254	0.149	0.079	0.224	0.211	0.164	0.451	0.120	0.161	0.148

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel A2: Firm Performance

[t+2, t-1]

VARIABLES	(1) ROA Difference	(2) Historical 3 year avg. ROA Difference	(3) ROE difference	(4) R&D expenditure Difference	(5) Capex/PPE Difference	(6) Intangible Assets Difference	(7) Ind. Adj. ROA	(8) Ind. Adj. ROA BCKWD 3 Yr. Avg	(9) Ind. Adj. ROA FWD 3 Yr. Avg.	(10) Ind. Adj. EBITDA/Assets	(11) Ind. Adj. EBITDA/Assets 3 Yr. Avg	(12) Ind. Adj. ROE	(13) Ind. Adj. R&D/Assets	(14) Ind. Adj. Capex/PPE
BRT Member	0.0111	0.00476	0.0500***	0.000563	0.00177	0.00506	0.0105	0.00667	0.00381	0.00425	0.000547	0.0788**	0.000608	0.00163
	(1.492)	(0.814)	(2.778)	(0.559)	(0.244)	(0.702)	(1.439)	(1.139)	(0.543)	(0.960)	(0.135)	(2.349)	(0.704)	(0.218)
Post Shareholder Activism Dummy	0.0236	-0.0131	-0.0540	0.00299**	-0.0324	0.0350**	0.0134	-0.0285*	-0.0103	0.0181*	-0.0357***	-0.106	0.00244*	-0.0319
	(1.586)	(-0.566)	(-0.578)	(2.009)	(-1.179)	(2.063)	(0.995)	(-1.689)	(-0.895)	(1.746)	(-4.800)	(-0.539)	(1.776)	(-1.367)
Post Shr. Act. Dum. * BRT Member	-0.0102	0.0534**	0.0801	**-0.00673***	**0.0681****	-0.0379**	0.00682	0.0623**	0.0217	-0.0351	-0.0146	0.0883	**-0.00647****	**0.0724*****
	(-0.349)	(2.044)	(0.408)	**(-1.995)**	**(2.264)**	(-2.077)	(0.244)	(2.641)	(0.301)	(-1.562)	(-0.609)	(0.286)	**(-2.123)**	**(2.810)**
CEO Ownership	-0.000239	0.000202	0.00202	0.000319*	-0.000631	-0.000416	-0.000282	-0.000484	-0.000155	4.18e-05	-2.36e-05	0.00129	**0.000291*****	-0.000541
	(-0.261)	(0.394)	(0.852)	(1.992)	(-0.851)	(-0.709)	(-0.339)	(-0.791)	(-0.186)	(0.113)	(-0.0487)	(0.310)	**(2.959)**	(-0.732)
Post Shr. Act. Dum * CEO Ownership	-0.0625	0.128	-0.0495	-0.00495*	0.0344	-0.0139	-0.0404	0.184*	0.00214	**-0.0363**	**0.0372*****	**-0.162**	**-0.00306***	**0.0409**
	(-1.392)	(1.227)	(-0.635)	(-1.843)	(1.035)	(-0.443)	(-1.060)	(1.949)	(0.137)	**(-1.119)**	**(3.815)**	**(-1.041)**	**(-1.908)**	**(1.271)**
Post Shr. Act. Dum. * BRT Member * CEO Own.	0.0145	-0.147	**-0.236****	**0.00628****	0.0267	0.0328	-0.00682	**-0.200****	0.0921	**0.0628***	**0.143****	-0.163	**0.00455****	**0.0248**
	(0.314)	(-1.410)	**(-2.044)**	**(2.018)**	(0.782)	(1.074)	(-0.176)	**(-2.110)**	(0.429)	**(1.868)**	**(2.045)**	(-0.892)	**(2.226)**	**(0.743)**
Observations	619	480	619	619	557	591	619	298	290	602	280	619	619	557
R-squared	0.228	0.330	0.228	0.311	0.283	0.300	0.155	0.305	0.193	0.258	0.329	0.231	0.189	0.153

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8 (Cont'd)
Table A.8.3

Panel B1: Corporate Governance Characteristics

[t+1, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(4) CEO compensation without stock options Difference	(5) CEO stock options Difference	(6) E-Index Difference	(7) Institutional Ownership Difference	(8) Blockholder Ownership Difference	(9) Board Size Difference	(10) Independent Directors Difference
BRT Member	0.0347	-0.0198	-0.199	-0.187	0.0893	-0.0270	-0.00832	-0.0280	-0.217*	-0.00122
	(0.981)	(-0.275)	(-1.215)	(-1.007)	(1.340)	(-0.380)	(-1.503)	(-0.835)	(-1.737)	(-0.192)
Post Shareholder Activism Dummy	0.0634	0.177*	-0.0667	-0.0836	0.161	-0.128	0.0547	-0.00250	0.0110	-0.0136
	(0.943)	(1.686)	(-0.544)	(-0.652)	(0.578)	(-1.413)	(0.889)	(-0.0335)	(0.0545)	(-1.100)
Post Shr. Act. Dum. * BRT Member	0.0641	0.00891	0.0514	0.161	0.126	-0.0636	-0.0433	-0.126	-0.0376	0.000443
	(0.776)	(0.0280)	(0.357)	(0.896)	(0.350)	(-0.322)	(-0.670)	(-0.756)	(-0.0654)	(0.0290)
CEO Ownership	0.000637	0.00923**	-0.00385	-0.102	0.00149	0.000137	-0.000375	-0.00315	-0.00225	-0.000599
	(0.337)	(2.156)	(-0.416)	(-1.083)	(0.249)	(0.0148)	(-0.771)	(-0.964)	(-0.105)	(-0.881)
Post Shr. Act. Dum * CEO Ownership	-0.0883***	0.131	-0.0402	0.0207	-0.125	-0.0552***	-0.00648	0.0197	**-0.525*** **	**0.0216*** **
	(-3.873)	(0.465)	(-1.360)	(0.480)	(-0.275)	(-4.181)	(-0.443)	(1.259)	**(-12.74)**	**(7.943)**
Post Shr. Act. Dum. * BRT Member * CEO Own.	**-0.140*** **	**-0.0587**	0.0322	0.0668*	-0.207	0.0554	0.0142	0.0849	**0.769*** **	**-0.0140*** **
	(-5.115)	**(-0.188)**	(0.890)	(1.720)	(-0.453)	(0.959)	(0.851)	(1.599)	**(3.369)**	**(-4.280)**
Observations	789	621	786	786	466	789	789	789	789	789
R-squared	0.051	0.104	0.058	0.056	0.196	0.125	0.362	0.060	0.080	0.089

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel B2: Corporate Governance Characteristics

[t+2, t-1]

VARIABLES	(1) CEO Chairman Duality Difference	(2) CEO Power Difference	(3) CEO Total Compensation Difference	(5) CEO compensation without stock options Difference	(6) CEO stock options Difference	(7) E-Index Difference	(8) Institutional Ownership Difference	(9) Blockholder Ownership Difference	(10) Board Size Difference	(11) Independent Directors Difference
BRT Member	0.0329	-0.0705	-0.319	-0.198	0.0557	-0.107	-0.00918	-0.0636	-0.316*	0.000147
	(0.582)	(-0.606)	(-1.059)	(-0.586)	(0.633)	(-1.004)	(-1.244)	(-1.093)	(-1.700)	(0.0131)
Post Shareholder Activism Dummy	0.0988	0.344	0.167	-0.451	0.252	-0.203	0.214	0.111	-0.442	-0.0125
	(1.502)	(1.246)	(0.611)	(-1.521)	(0.585)	(-1.393)	(1.160)	(0.436)	(-0.890)	(-0.702)
Post Shr. Act. Dum. * BRT Member	0.0735	**0.644****	-0.133	0.499	-0.256	-0.239	-0.208	-0.0359	0.244	-0.0181
	(0.922)	**(2.210)**	(-0.460)	(1.415)	(-0.643)	(-0.739)	(-1.130)	(-0.116)	(0.265)	(-0.662)
CEO Ownership	-0.00770	-0.0139	0.000706	-0.0812	0.00646	-0.00393	0.00120	0.000181	-0.00751	0.000628
	(-1.217)	(-0.805)	(0.0500)	(-1.000)	(0.695)	(-0.353)	(1.187)	(0.0642)	(-0.239)	(0.540)
Post Shr. Act. Dum * CEO Ownership	0.120	-0.590	-0.482	0.792**	-1.837**	-0.360	-0.299	-0.128	1.054	-0.0238
	(0.525)	(-1.212)	(-1.059)	(2.076)	(-2.586)	(-1.549)	(-1.152)	(-0.369)	(1.248)	(-0.986)
Post Shr. Act. Dum. * BRT Member * CEO Own.	**-0.505****	-0.531	0.576	-0.614	**1.638****	0.410	0.309	0.211	-1.216	0.0250
	(-2.201)	(-1.031)	(1.268)	(-1.620)	**(2.311)**	(1.496)	(1.184)	(0.559)	(-1.266)	(0.973)
Observations	619	455	617	616	366	619	619	619	619	619
R-squared	0.099	0.172	0.086	0.086	0.292	0.184	0.385	0.072	0.148	0.120

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8 (Cont'd)
Table A.8.3

Panel C 1: Firm Leverage and Payouts

[t+1, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	-0.00246	0.000586	0.00467*
	(-0.413)	(0.326)	(1.782)
Post Shareholder Activism Dummy	-0.0333*	0.00154	-0.0378
	(-1.786)	(0.357)	(-0.908)
Post Shr. Act. Dum. * BRT Member	0.0239	-0.00139	0.0346
	(1.010)	(-0.256)	(0.749)
CEO Ownership	-0.00126	0.000201	-0.000361
	(-1.164)	(0.972)	(-0.805)
Post Shr. Act. Dum * CEO Ownership	0.00454	-0.00170	0.0100
	(0.722)	(-1.110)	(1.037)
Post Shr. Act. Dum. * BRT Member * CEO Own.	-0.00288	**-0.0104*** **	**-0.0319*** **
	(-0.302)	**(-5.436)**	**(-2.913)**
Observations	783	788	590
R-squared	0.221	0.255	0.053

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C 2: Firm Leverage and Payouts

[t+2, t-1]

VARIABLES	(1) Leverage Difference	(2) Dividend Yield Difference	(3) Total Payout Difference
BRT Member	-0.00647	0.000559	0.00253
	(-0.575)	(0.243)	(0.536)
Post Shareholder Activism Dummy	0.00401	-0.00997	-0.137
	(0.101)	(-1.378)	(-1.017)
Post Shr. Act. Dum. * BRT Member	-0.0276	0.00988	0.139
	(-0.617)	(1.062)	(0.983)
CEO Ownership	0.000225	0.000279	-0.000368
	(0.259)	(1.137)	(-0.435)
Post Shr. Act. Dum * CEO Ownership	-0.143	**0.0322*** **	0.194
	(-1.480)	**(3.136)**	(1.046)
Post Shr. Act. Dum. * BRT Member * CEO Own.	0.143	**-0.0370*** **	-0.235
	(1.489)	**(-3.519)**	(-1.252)
Observations	615	617	439
R-squared	0.258	0.212	0.123

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 8 (Cont'd)
Table A.8.4
Event Study around Activism - Additional Event Windows

The cumulative abnormal returns (CARs) of the firms that are members of Business Round Table (BRT) and those in the matched sample that are not members of BRT are given for the event when BRT won the lawsuit against SEC on July 22, 2011 regarding the proxy access rule. CARs are calculated using a Fama French 3 factor value-weighted and equal-weighted model for each company. CARs are calculated for five different event windows. Difference in CARs are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. The Credit Default Swap (CDS) spreads are 5 Year end of day mid spread as measured in Bloomberg. CDS spreads are risk adjusted using end of month credit rating matched market index (investment grade or high yield). Daily spread changes are index adjusted spread changes. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for [-30,+30] period.

Panel A: Stock Market Reaction (CAR)

CAR	BRT Member	Not BRT Member	Difference - t test
Value weighted			
(-30,-2)	-0.59%	-0.50%	-0.0009
(-30,0)	-1.16%	-0.47%	-0.00689
(-10,+10)	-1.70%	0.46%	**-0.0216***
(0,+30)	-2.91%	1.09%	**-0.0399*****
(-10,0)	-1.23%	-0.21%	-0.0102
Equally weighted			
(-30,-2)	-0.19%	-0.14%	-0.00056
(-30,0)	-0.91%	-0.22%	-0.00685
(-10,+10)	-0.72%	1.19%	-0.0191
(0,+30)	-1.27%	2.45%	**-0.0372****
(-10,0)	-1.43%	-0.40%	-0.0104
N			*150*

B. Credit Market Reaction (Cumulative abnormal spread changes)

	BRT	Non-BRT	Difference - t test
(-30,-2)	19.37***	18.64***	0.725
(-30,0)	25.77***	28.66***	-2.89
(-10,+10)	-47.10***	-49.26***	2.16
(0,+30)	-59.02***	-80.98***	21.96
(-10,0)	-0.54	2.59	-3.14
N			*75*

Appendix 8 (Cont'd)
Table A.8.5
Abnormal CDS Spreads Additional Event Windows

The Credit Default Swap (CDS) spreads of the firms that are members of Business Round Table (BRT) and those in the matched sample that are not members of BRT are reported around the shareholder activism events. 5 Year CDS spread is end of day mid spread as measured in Bloomberg. CDS spreads are risk adjusted using end of month credit rating matched market index (investment grade or high yield). Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The results are given for the overall shareholder activism events in Panel A. In Panel B and Panel C, friendly and hostile shareholder activism results are reported, respectively. Difference in CDS spreads are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Analysis is conducted for firms that have complete data for the [-30, +30] period.

Panel A: All Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-30,-2)	8.26	21.41	-13.15
(-30,0)	8.99	15.57	-6.58
(-10,+10)	1.48	5.86	-4.38
(0,+30)	2.35	19.93	-17.58
(-10,0)	4.19	-1.69	5.88
N			*64*

Panel B: Hostile Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-30,-2)	57.90	-5.44	63.34
(-30,0)	55.07	-8.72	63.79
(-10,+10)	75.18	-22.54	97.71
(0,+30)	28.68	10.34	18.34
(-10,0)	34.42	2.25	32.17
N			*9*

Panel C: Friendly Shareholder Activism

	BRT	Non-BRT	Difference - t test
(-30,-2)	-0.01	25.65	-25.66
(-30,0)	1.31	19.41	-18.10
(-10,+10)	-10.81	10.34	-21.15
(0,+30)	-2.04	21.44	-23.48
(-10,0)	-0.85	-2.31	1.46
N			*55*

Appendix 8 (Cont'd)
Table A.8.6
Additional Event Windows around July 22, 2011

The cumulative abnormal returns (CARs) of the firms that are members of Business Round Table (BRT) and those in the matched sample that are not members of BRT are given for the event when BRT won the lawsuit against SEC on July 22, 2011 regarding the proxy access rule. CARs are calculated using a Fama French 3 factor value-weighted and equal-weighted model for each company. CARs are calculated for five different event windows. Difference in CARs are measured by t-test. The symbols *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. The Credit Default Swap (CDS) spreads are 5 Year end of day mid spread as measured in Bloomberg. CDS spreads are risk adjusted using end of month credit rating matched market index (investment grade or high yield). Daily spread changes are index adjusted spread changes. Cumulative abnormal spread changes are calculated as the difference between the index adjusted spread changes over the given period. The analysis is conducted for firms that have observations for [-30,+30] period.

Panel A: Stock Market Reaction (CAR)

CAR	BRT Member	Not BRT Member	Difference - t test
Value weighted			
(-30,-2)	-0.59%	-0.50%	-0.0009
(-30,0)	-1.16%	-0.47%	-0.00689
(-10,+10)	-1.70%	0.46%	**-0.0216***
(0,+30)	-2.91%	1.09%	**-0.0399*****
(-10,0)	-1.23%	-0.21%	-0.0102
Equally weighted			
(-30,-2)	-0.19%	-0.14%	-0.00056
(-30,0)	-0.91%	-0.22%	-0.00685
(-10,+10)	-0.72%	1.19%	-0.0191
(0,+30)	-1.27%	2.45%	**-0.0372****
(-10,0)	-1.43%	-0.40%	-0.0104
N			*150*

B. Credit Market Reaction (Cumulative abnormal spread changes)

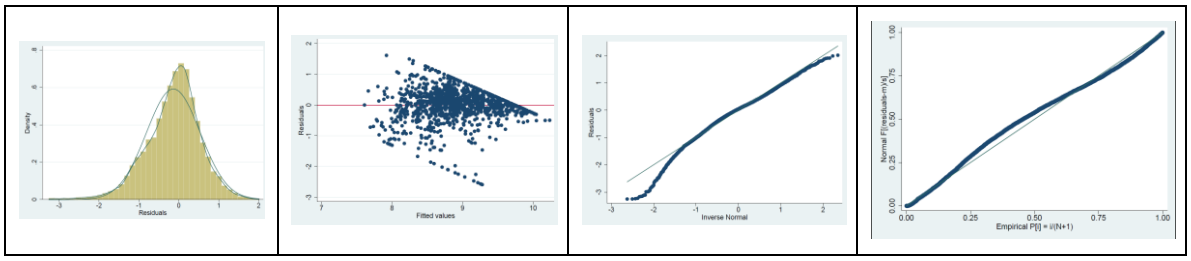
	BRT	Non-BRT	Difference - t test
(-30,-2)	19.37***	18.64***	0.725
(-30,0)	25.77***	28.66***	-2.89
(-10,+10)	-47.10***	-49.26***	2.16
(0,+30)	-59.02***	-80.98***	21.96
(-10,0)	-0.54	2.59	-3.14
N			*75*

Appendix 9: Total Compensation Regression and Residuals Analysis (Winsorized)

VARIABLES	(1) CEO Total Compensation
BRT Member	**0.289*** **
	(3.057)
Size	0.256***
	(5.074)
Tobin's Q	0.0287
	(0.427)
Free Cash Flow Indicator	0.177**
	(2.595)
Leverage	0.703**
	(2.268)
Intangible Assets	0.221
	(0.771)
Observations	1,155
R-squared	0.467

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1



Chapter 2

Institutional Investment Horizon and Hedge Fund Activism

Abstract

I examine how institutional investment horizon affects hedge fund activism. I find that hedge fund activism is higher in firms that long-term institutional investors invest. Furthermore, hedge fund campaigns and success rates differ with investment horizon of institutions. Firms with investors that have long-term investment horizons are more likely to receive demands on corporate governance improvements. These firms also experience significant improvement in firm performance post shareholder activism. Hedge funds with shorter-term institutional investors, on the other hand, are more likely to be delisted or experience spinoffs. Also, there is no significant performance improvement in these firms post activism. Overall, the results suggest that investment horizon of institutional owners is an important factor in explaining strategies explored in hedge fund activism as well as their effects on firm value. The findings support the notion of collaborative monitoring role of long-term institutional investors and hedge fund activists.

1. Introduction:

Institutional investors are one of the largest players in today's capital markets. They own more than 70 percent of outstanding equity of the largest 1,000 U.S. corporations.[37] These institutional investors include mutual funds, pension plans, banks, insurance companies among others. Starting with Berle and Means (1932) and then Jensen and Meckling (1976) and Myers (1977), many papers focused on the role of institutional investors in monitoring managers. These large investors have the resources and incentives to improve corporate governance and firm performance because of the high costs of monitoring and the free-rider problem (Grossman and Hart, 1980; Shleifer and Vishny, 1986). In this chapter, I analyze the relationship between the *investment horizon* of institutional investors of a firm and hedge fund activism.

The literature in general does not find a significant relationship between institutional ownership and firm value. (Holderness and Sheehan, 1988; McConell and Servaes, 1990; Mehran,1995; and Bushee, Carter and Gerakos, 2014). However, institutional investors differ in type such as banks, insurance companies, mutual funds, and retirement funds. Based on their investment strategy, they may have different liquidity needs or they may choose to be either actively or passively engaged in the corporate governance of the portfolio companies they invest in. A number of papers consider this heterogeneity in their analysis. For example, Gaspar, Massa and Matos (2005) find that a firm's shareholders' investment horizons have an impact on corporate control such that acquired firms with shareholders that have short-term horizons receive lower bids. Harford, Keckes and Mansi (2015) analyze the relationship between long-

[37] Conference Board, 2010 Institutional Investment Report.

term investment horizons and corporate decision making and find that long-term investors exert monitoring behavior and restrain misbehavior of managers such as financial fraud. Kim, Mantecon and Song (2015) discuss that short-term institutional ownership increases credit risk because of agency problems. Hao (2014) indicates that firms with higher short-term institutional shareholders experience significantly more abnormal returns at the announcement of seasoned equity offerings. McCahery, Sautner and Starks (2015) show that investment horizon is positively related to engagement in firm's matters. Overall, the literature suggests several channels where investment horizon of institutional investors affects corporations. In this essay, I focus on another important channel: the relation between investment horizon of institutions and hedge fund activism.

A major strand of the literature on hedge fund activism finds support for value creation by hedge fund activism in target companies both in the short run and in the long run (Smith, 1996; Brav, Jiang, Partnoy and Thomas, 2008; Klein and Zur, 2009; Bebchuk, Brav and Jiang, 2015; Brav, Jiang, and Kim, 2015. Another strand of literature however, support the view that hedge-funds are short-termist (Coffee and Palia, 2014; Bushee, 1998; Kahan and Rock, 2007).

Hedge funds in general do not take controlling positions in the firms they target themselves. Analyses conducted using Form 13-D data suggest an average rate of 6.3 percent share purchase in the target firm (Brav, Jiang, Kim, 2010). Especially if the target is a large firm, hedge funds acquire 1-2 percent (Pozen, 2015). There is an ongoing debate on collaborations taking place between activist hedge funds and institutional shareholders, especially with blockholders. A recent article in the *Wall Street Journal* provides insights into how a low-profile activist investor with less than one percent of

ownership gained a board seat at Microsoft Corporation with the help of large mutual funds.[38] One possibility is that hedge funds want to invest in firms that have high institutional ownership so that they can side with hedge funds if the management does not agree with the intents of the activist. Supporting this view, Kedia, Starks and Wang (2016) develop measures of institutional ownership that is friendly to activism and conclude that firms with institutional owners that are more friendly to hedge fund activism are indeed more likely to be activist targets. Similarly, Appel, Gormley and Keim (2016a) focus on this question by looking at passively managed mutual funds and find that activists are more likely to influence governance in firms with more passive ownership, indicating that passive owners may side with activists in certain cases. A remaining important question is how the investment horizon of institutional investors shapes hedge fund activism and its impact on firm value.

In examining the dynamics between investment horizon and hedge fund activism, I first look at whether investment horizon of institutions that are shareholders in a firm affect the probability of that firm being targeted by an activist hedge fund. The literature indicates that hedge funds prefer firms with high number of analysts and large institutional ownership (Brav, Partnoy, Jiang and Thomas, 2008), liquidity and institutional trading activity (Gantchev and Jotikasthira, 2016). Investment horizon is another important factor that may affect hedge fund activism. I find that hedge funds target firms that have institutional investors with long-term horizon. Specifically, I observe that a one standard deviation increase in investment turnover is associated with a 10 to 20 percent increase in the probability of being targeted depending on which definition is used (See Appendix 2). I also use alternative proxies for long-term

[38] "Activist Investors' Secret Ally: Big Mutual Funds" *The Wall Street Journal*, August 9, 2015.

institutional horizon. I consider long-term investors such as state pension funds and endowments and consider companies with pension fund investors and endowments for more than five years as companies that have long-term investors. The results are robust to alternative definitions.

Next, I focus on understanding how investment horizon of institutions may affect hedge fund activism campaigns. In order to understand the mechanism behind investment horizon and activism on target companies, I look at the relation between institutional investment horizon of firms and the types of activist campaigns that hedge funds campaign for as well as the success rates of these campaigns. I observe that the campaign types change with the investment horizon of the firm's institutional investors. For example, firms with institutional investors that have long-term investment horizons are more likely to receive campaigns to improve corporate governance. In addition, firms are more likely to push for a board seat in targets with long-term investment horizons and initiate proxy fights. Board seat requests by hedge funds are likely to occur both in investors with short and long-term horizons. However, the board seat requests in firms with short-term investment horizons are likely to be in firms that hedge funds plan to merge.

It is important to understand whether institutional investors side with activists or managers, or exit the firm around the time of hedge fund activism. Appel, Gormley and Keim (2016a) look at passive mutual funds and observe an association between the presence of these funds and interventions by hedge fund activists. The authors argue that these funds may facilitate activist investors' ability to be successful with their demands by decreasing the cost of intervention and by increasing the likelihood of success. Here, I

look at changes in blockholder ownership to understand whether blockholders stay or exit when hedge funds initiate their campaign and whether the institutional investors behave differently based on their investment horizon. I observe that overall block (and top 10) institutional ownership decreases but only in firms with long-term institutional investment horizon post activism. When I look at campaign types separately, I see that in firms with long-term institutional investors, blockholders in fact buy shares post activism if the campaign type is related to corporate governance or removing a director which again suggests siding with activists and mutual agreement in changes.

I next look at firm characteristics following hedge fund activism. I particularly examine operating performance and corporate governance of these firms. I find that target firms' performance improves significantly and for longer periods after the hedge fund intervenes mainly in firms with institutional investors that have long-term investment horizons. However, target firms with short investment horizon have relatively smaller improvement in firm performance. These findings indicate that hedge funds have a monitoring role that create value for the firm in the long run, particularly if the firms' investors are also long-term investors. These firms' corporate governance practices also improve post activism.

I then analyze whether investment horizon plays a role in firm capital structure as well as delisting or spinoff/divestiture activities. I observe that target firms with short-term investors are more likely to experience delistings and spinoffs compared to their peers and target firms with long-term investors suggesting different campaign types pursued by activists depending on the investment horizon of institutional investors.

To mitigate possible endogeneity issues that may arise, I follow several strategies. It could be that firms are selected by long-term investors because of their fundamentals. There could be also an omitted variable that explains the relationship between hedge fund targeting and institutional investment horizon. To alleviate these issues, first, I employ propensity score matching method to match firms targeted by hedge funds to those that were never targeted based on industry, size, growth opportunities, and beginning of period institutional ownership. Second, I use different definitions of investment horizon to ensure that my results are robust to alternative proxies.

This essay contributes to the literature in several ways. First, by looking at investment horizon of institutional investors, I identify an important channel that may help shed light in understanding how hedge-fund activism targets firms and chooses the campaign types and tactics. The findings help us further the debate on hedge fund activism in relation to another important player, institutional investors. Second, the essay's findings may shed light into the discussions about short-termist and long-termist intentions of hedge funds by focusing on institutional investment horizon in relation to hedge fund activism. Finally, institutional investment horizon, an important characteristics of a major player in corporate governance, has not yet been analyzed with respect to hedge fund activism. Previous literature identified that passive investors may side with activists using passively managed mutual funds only, and differentiate between friendly institutions and others. The analysis in this chapter focuses primarily on institutional ownership horizon in relation to hedge fund activism.

Overall, the chapter contributes to the literature of institutional ownership, its relation with hedge fund activism, and their impact on corporate governance and firm

performance. The evidence indicates that investment horizon of institutional investors is an important channel in hedge fund activism. Investment horizon not only affects the probability of being targeted, but also the campaigns carried by hedge funds, the success of these campaigns targeted, and long term impact of these activities on firm performance and corporate governance.

The chapter proceeds as follows. Section 2 summarizes the related literature. Section 3 develops a conceptual framework and formulates specific empirical hypotheses. Sections 4 and 5 describe the sample and methodology, respectively. Section 6 summarizes the results, Section 7 provides additional robustness tests, Section 8 concludes.

2. Related Literature

Berle and Means (1932) and Jensen and Meckling (1976) highlight the agency problems that may arise when the managers are different from the owners. The agency problems may even further exacerbate if the managers' stakes are not high enough for them to be incentivized enough to maximize firm value as opposed to benefit extraction. Literature suggests that large institutional owners may play an important role in creating a corporate governance mechanism as they may have the incentives to monitor the managers (Edmans, 2014). For example, the evidence suggests that firms with majority blockholders have no different firm performance results compared to a matched set of peers (Holderness and Sheehan, 1988). Hirshman (1970) argues that there are three types of activism that shareholders can implement. Voice (activism), Exit (sell shares) and Loyalty (remain with the firm – long termism).

There is a vast literature which looks at the relationship between institutional ownership and firm performance. Holderness and Sheehan (1988), McConell and Servaes (1990), Mehran (1995) and Bushee, Carter and Gerakos (2014) conclude that there is no significant effect of institutional ownership on firm value looking at overall institutional ownership. Cronqvist and Fahlenbrach (2009) consider the heterogeneity in the institutional ownership and find significant relation between firm performance and different groups of investors. Similarly, Bushee, Carter and Gerakos (2014) find that firms with a high level of ownership by institutions sensitive to shareholder rights improve their shareholder rights significantly. Clifford and Lindsey (2015) find that blockholder types who are typically associated with activism (e.g., hedge funds as opposed to mutual funds) are associated with greater event study returns to Schedule 13 filings, greater improvements in profitability, and a greater increase in the performance sensitivity of CEO pay. Hotchkiss and Strickland (2003) also suggest that the composition of institutional shareholders affect stock price behavior and show that there is a negative stock price response in firms with higher levels of ownership by aggressive growth investors or momentum investors. Cornett, Marchus, Saunders and Tehranian (2007) find a significant relation between a firm's operating cash flow and institutional ownership in a subset of firms for which there may be a less likelihood of business relationship with the firm. McCahery, Sautner & Starks (2015) conduct a survey to understand different types of voice employed by institutional owners.

Another strand of literature analyzes the relationship between liquidity and institutional ownership. Fang, Noe and Tice (2009) use decimalization to show that liquidity causes increases in firm value and Bharath, Jayaraman and Nagar (2013) show

that this effect is stronger for firms with greater block ownership and show that the link between firm value and the interaction of liquidity and blockholding is stronger when the manager has greater equity incentives (liquidity enhances exit view). Gantchev and Jotikasthira (2016) find that institutional sales raise a firm's probability of becoming an activist target and activists do camouflage their purchases among the institutional sells.

The voice issue is considered in shareholder activism. McCahery, Sautner and Starks (2015) find that hedge funds are more willing to engage in activism. There is a growing literature in general on shareholder activism (see Gillan and Starks, 2007; Edmans, 2014; Denes, Karpoff, and Williams, 2015; Brav, Jiang and Kim, 2010, for a review). There are different definitions of shareholder activism in the literature. Some focus on shareholder proposals, Gillan and Starks, 2000, Cai and Walkling, (2011), Ertimur, Ferri and Stubben (2010); others focus on negotiations between activists and managers, Smith (1996), Nelson (2005), Barber (2007); others focus on proxy fights, Helwege, Intinoli and Zhang (2012), DeAngelo and DeAngelo (1989); and others focus on hedge fund activism (Brav, Partnoy, Jiang and Thomas, 2008, Klein and Zur, 2009; Bebchuk, Brav and Jiang, 2015; Gantchev and Jotikastira, 2016). Even though some in the literature argue that hedge fund activism creates value both in the short-term Clifford (2008), Brav, Jiang, Partnoy and Thomas (2008), Klein and Zur (2009)), and in the long-run (Bebchuck, Brav and Jiang, 2015, Brav, Jiang and Kim, 2015, Brav, Jiang, Ma, Tian, (2015)) another strand of literature suggests that hedge fund activism results in short-term gains at the expense of long term value in companies (Bushee, (1998), Kahan and Rock (2007), Coffee and Palia (2014)) and sometimes through negative spillover effects on rival firms (Aslan, Kumar, 2015) or positive spillover effects through reducing agency

costs and increasing operating performance (Gantchev, Gredil and Jotikasthira, 2016). Activism by mutual funds is analyzed by Iliev and Lowry (2015) and their relationship to hedge fund activism (Appel, Gormley and Keim, 2016a) and corporate governance (Appel, Gormley and Keim, 2016b).

A recurring claim in the literature and popular press is that hedge funds focus on short-term earnings rather than long-term growth maximization.[39] Even though the argument of short termism is not new, the culprits in the popular press mainly changed from institutional investors (Bushee, 2001), corporate raiders of the 1980s to mostly activist hedge funds (Pozen, 2015).

Looking at institutional investors, they differ on a number of aspects (Hotchkiss and Strickland, 2003). They may have different liquidity needs, may choose to be actively or passively engaged in the management process of the portfolio companies they invest in, or they may have different investment strategies. Fich, Harford and Tran (2015) look at the allocation of holdings of institutional investors in a specific firm and show institutional monitoring is positively correlated with the allocation of holdings.

In this essay I focus on investment horizon. I define investment horizon in two different ways. First, I use the definition of Gaspar, Massa and Matos (2005). Gaspar, Massa and Matos (2005) look at the relationship between institutional investors' investment horizons and the market for corporate control and conclude that target firms that have shareholders with investors that have short-term investment horizons are more likely to get an acquisition bid but also lower premiums. In the literature, investor turnover calculated using historical trading data of an investor is used as a proxy to

[39] See, for example, "Activists Seek Short-term Gain not Long-Term Value," by Bill George, New York Times, Dealbook, August 26, 2013; "Let's Do it My Way" Activist Investors, The Economist, May 25, 2013.

measure the investment horizon of an investor. For example, Bushee (1998) identifies three common factors that he uses to classify institutional investors into groups with one being the portfolio turnover. Elyasiani and Jia (2010) using a simultaneous equation model show that institutional ownership horizon (stability) is associated with better firm performance. Investor turnover measure developed by Gaspar, Massa and Matos (2005) is also widely used in the literature to measure investment horizon. For example, Gaspar, Masso, Matos, Patgiri and Regman (2012) analyze the association between shareholder investment horizon and payout policy choices and show that the frequency and amount of repurchases increase with ownership by investors with short-term investment horizons. Attig, Cleary, Ghoul and Guedhami (2012) focus on investment horizon and its relationship to investment cash flow sensitivity find evidence consistent with the argument that the presences of long-term investors result in increased monitoring activity and a decrease in the sensitivity of firms to internal cash flows. Cella, Ellul, Giannetti (2013) use Gaspar, Masso, Matos (2005) investor turnover measure conclude that investors with short investment horizons amplify the effects of market wide negative shocks.

The second measure I use as a proxy for investment horizon is a measure I define using pension funds and endowments. These pension funds and endowments are known as long-term investors (Eng and Shackell, 2001). I analyze the set of stocks that are held by pension funds and endowments I focus on stocks that are held by these type of investment managers for more than five years and consider these stocks to have institutional investors with long-term horizon.

3. Hypotheses

Institutional investors may reduce agency costs by using their influence in monitoring. This argument is supported by the theoretical models of (Shleifer and Vishny, 1986; Admati, Pfleiderer, and Zechner, 1994). Both of these papers suggest investors with large holdings may choose to intervene in monitoring when the benefits exceed the costs and they both agree with the existence of a free rider problem when intervention occurs. On the other hand, institutional investors can choose to remain passive and just trade on the information they gather (speculate) Kahn and Winton (1998) or exit Admati and Pfeliderer (2009). This evidence is also related to the dynamics between hedge funds and institutional investors, which is posed by press and by recent literature (Appel, Gormley and Keim, 2016a). A recent *Wall Street Journal* article that showed how a low-profile activist investor with less than one percent of ownership gained a board seat at Microsoft Corporation with the help of large mutual funds.[40]

There are two benefits of coordination between institutional investors and hedge fund activists. First, intervention is costly to hedge funds (Admati, Pfleiderer, and Zechner, 1994). If the hedge fund wants to succeed, it needs to take into account the large owners' monitoring incentives and also the risk-sharing benefits that come with concentrated versus diffuse ownership (Admati, Pfleiderer, and Zechner, 1994). Second, the hedge fund activist may not have a large block ownership to implement the changes easily. In order to increase the chances of success, hedge fund activist may look for support among other blockholders of the firm. This collaboration idea is modeled in Brav, Dasgupta and Mathews (2016). The authors show that implicit coordination among institutional shareholders can play a powerful role in activist campaigns. Following this idea, Kedia, Starks and Wang (2016) develop measures of institutional ownership that is

[40] "Activist Investors' Secret Ally: Big Mutual Funds" *The Wall Street Journal*, August 9, 2015.

friendly to activism and conclude that firms with institutional owners that are more friendly to hedge fund activism are indeed more likely to be activist targets. I take the investment horizon of other institutional investors that have already invested in the firm as a signal to hedge funds. Hedge funds that have long term horizon should prefer to work with investors that have long term horizon, whereas those with short term horizon should target firms with short term investment horizons. If long term institutional investors have more interest in improving the firm, alongside with activist shareholders, activist hedge funds should prefer to target firms with long term institutional investors. Thus, my first hypothesis follows from this model that activists target firms with sophisticated investors that have long-term investment horizons.

Once the hedge fund activist targets a firm, there are certain requests the activist will carry out. The campaign types may include hostile takeovers, mergers, change in corporate governance, or voting for or against management. The hedge fund is most likely to succeed if the institutional investment horizon of the target firm is consistent with the investment horizon of the hedge fund activists. My second hypothesis is based on this argument. The investment horizon of firms affects the campaign types carried out by hedge fund activists. Firms with institutional investors that have short-term horizon are more likely to receive demands that have short-term goals such as dividend distributions or hostile sale of target. Firms with long-term investors, on the other hand, are more likely to receive demands that have long-term horizon such as corporate governance changes, restructuring or value maximizing strategies.

Once the campaign type by activist is announced, the success rate of the campaign and the actions of other institutional investors would also depend on the alignment of

their investment horizons and the horizon of the demands by activists, which suggests the following two hypotheses: (i) Institutional investors exit if they see no value from activist intervention. Alternatively, they will side with the activists or managers by increasing holdings or not selling if there is additional value expected from the actions of hedge fund activists in the long-run. (ii) The probability of success of hedge fund activism campaign is higher when investment horizon of the firm's investors is aligned with hedge fund activist's demand horizon.

If a firm has investors with long-term horizons, hedge funds are more likely to push for changes that exert better corporate governance. On the other hand, hedge funds' demands may include spinoffs, divestitures, cash payouts in firms that have investors with short-term interests. Finally, the success of hedge funds may be associated with the investment horizon of target firms as monitoring long-term investors may be more likely to agree with hedge funds if hedge funds implement changes that are long-term oriented. Finally, firms with short-term investment horizons targeted by hedge funds implement tactics that are short-termist. As a result, these firms will most likely not see an improvement in performance in the long run. The above hypotheses allow me to test the implications of investment horizon and its relationship to hedge fund activism.

4. Data

The sample is constructed by merging Thomson 13-F Institutional holdings data with COMPUSTAT North America Annual Updates and Sharkwatch's activism database. I obtain data on corporate activist campaigns from Sharkwatch (FactSet), which offers a comprehensive database of activism events. The source of the information in Sharkwatch includes company/activist filings and press releases, news/trade publications,

and company websites. The coverage includes all proxy fights announced since January 1, 2001 and all other non-proxy activism events since January 1, 2006 as well as the main activists' events since 2005.

The analysis in this chapter is conducted at the event level. I also identify the campaign types used by activists from Sharkwatch. The campaign tactics that hedge funds employ are categorized into 11 groups. These include: Board Control, Enhance Corporate Governance, Hostile/Unsolicited Acquisition, Maximize Shareholder Value, Public Short Position/Bear Raid, Remove Director(s)/Officer(s), Support Dissident Group in Proxy Fight, Vote Against a Management Proposal, Vote for a Management Proposal/Support Management, Vote for a Stockholder Proposal and Vote Against a Merger. For example, when the campaign type is titled maximize shareholder value, hedge funds in a majority of cases, disclose a letter to the shareholders of the company in suggesting that they want to work with management in maximizing value or that the company's stock is undervalued. The hedge fund's disclosed plan is mostly focused on management and strategic priorities or board recommendations.

Investor-level portfolio information comes from Thomson 13F, a database of quarterly 13-F filings of institutional investment managers that exercise investment discretion over $100 million must file their holdings every quarter which provide a snapshot of their investment portfolio every quarter. I describe how I calculate the quarterly churn rate of an investor and the investor turnover of a company below in Section 5.

The alternative definition for long-term horizon I use comes from identifying the list of top pension funds within the *"Pensions and Investments"* magazine list and the list

of top Endowments in the U.S.[41] list and identifying the ones that are reported in the Thomson 13-F database.

I use COMPUSTAT to get annual data for companies and also ISS/RiskMetrics to get information on various corporate governance variables such as CEO/Chairman Duality, Board Size, and E-index. CEO compensation and turnover comes from Execucomp. Delisting data is identified in CRSP, and spinoffs and divestitures are retrieved from Thomson SDC database. I get the number of analysts covering a firm from the I/B/E/S database.

5. Methodology

If hedge funds are supposed to create value, they are more likely to go after firms where they can implement their proposed strategies. The literature argues that activists alleviate the classic free rider problem by identifying targets with sophisticated investors who have the potential to side with them if managers are unlikely to cooperate (Appel, Gormley and Keim, 2016a; Brav, Jiang, Partnoy and Thomas, 2008). The most likely companies that would be targets of hedge fund activism would be companies with long-horizon investors which provides a sophisticated investor base. Similarly, the campaigns pursued by activists would more likely to succeed if the horizon of campaign types of activists should match with the investment horizon of institutional investors.

In order to test my first two hypotheses, I run the following probit regression:

$$y_{i,t} = \alpha + \beta\ investment\ horizon_{\ i,t} + \gamma X_{i,t} + s_t + z_i + \varepsilon_{i,t} \qquad (1)$$

[41] Retrieved from www.endowments.com as of September 2015.

In above equation, y is an indicator variable equal to 1 if the firm was a target of hedge fund activism within that year or the type of campaign type requested by the hedge fund and zero otherwise. *Investment horizon* is measured in two different ways. First, I calculate the investor turnover measure for each firm within each quarter as calculated in Gaspar, Massa, Matos (2005) and as described below. Similar to Gaspar, Massa, Matos (2005) I then find the turnover rate that is at the highest 33rd percentile and above and the lowest 33rd percentile and below during the hedge fund activism year. I mark these firm years as investors with short-term institutional horizon (i.e., highest investor turnover) and investors with long-term institutional horizon (i.e., lowest investor turnover), respectively. Firms with investors that have high investor turnovers are the firms with institutional investors that have very low investment horizons. Alternatively, firms with low investor turnovers are firms that don't churn their share of that firm very often are considered as firms with long-term institutional investors. In order to make sure that my results are robust to alternative definitions of investment horizon, I use a second method to measure investment horizon, which is by going through the list of top pension funds within the *"Pensions and Investments"* magazine list. *Pensions and Investments* magazine conducts a yearly survey of the largest 1000 U.S. Pension plans by defined benefit and defined contribution assets beginning in the early 1990s (They also provide more detailed information for the top 200). I identify this list for various years (the latest being 2010) through various press searches and verify that the list is quite stable over time. I go through the top 200 pension plans and identify the ones in Thomson 13F. I combine this with the list of top Endowments in the U.S.[42] and identify the endowments that are reported in the Thomson 13-F database. These pensions and endowments are

[42] Retrieved from www.endowments.com as of September 2015.

considered to be long-term investors (Eng and Shackell, 2001). I identify the firms they have kept in their portfolio for 20 quarters or more. I consider these firms to be firms with long-term investors.

X is a matrix that includes control variables of firm size, sales growth, growth opportunities as measured by Tobin's Q, return on assets, leverage, dividend yield, R&D expenditures and number of analysts as well as Amihud illiquidity measure. All the variables that I control for except Amihud illiquidity are identified as important determinants of hedge fund activism by Brav, Jiang, Partnoy, Thomas (2008). High investor turnover indicates stock liquidity and thus being targeted by hedge funds may be observed in more liquid firms rather than those with long-term investors. Indeed, Brav, Partnoy, Jiang and Thomas (2008) find that hedge funds target more liquid firms. A recent finding by Ganthcev and Jotikasthira (2016) suggests that institutional sales raise a firm's probability of becoming an activist target as they may be less incentivized to monitor. This may be related to Maug's (1998) liquidity theory which suggests that large shareholders may be less incentivized to monitor if there is a liquid market for the stock. In this regard, I include Amiquid illiquidity measure to separate institutional investment horizon from liquidity. In the equation, *s* refers to year dummies and *z* refers to industry dummies based on 2 digit SIC codes. I include industry dummies to control for any time invariant heterogeneity across industries. Similarly, I include year dummies to control for time trends. The indices *i* and *t* correspond to firm *i* in year *t*. Standard errors are clustered by 2 digit SIC industry.

The other two hypotheses test whether institutional investors side with activists by staying in the firm or decide to exit and whether there are changes in corporate

governance, CEO characteristics and firm performance, restructurings post hedge fund activism. In order to understand if institutional investment horizon explains whether institutions stay with the firm and side with activists or sell and whether there are changes in corporate governance, firm performance and firm characteristics post activism I run the following regression:

$$y_{i,t} = \sum_{j=-3}^{3} \gamma_j D_{i,j} + \beta X_{i,t} + s_t + z_i + \varepsilon_{i,t} \quad (2)$$

where y represents the firm performance measures, CEO related measures, leverage, payouts, spinoffs, divestitures and delistings, respectively. D is an indicator variable for each year around the event date (-3,+3). I control for firm size and Tobin's Q in all these regressions and include year dummies and industry dummies as before.

When considering the effect of institutional investment horizon on hedge fund activism and firm characteristics, I need to make sure that I overcome the problem of endogeneity as firms with institutional investors that have short-term investment horizons may be self-selected or there may be other factors that I do not capture in my specifications. To overcome this, I use propensity score matching, fixed effects, and also consider different definitions of investment horizon to see if my results are robust to alternative specifications.

I start my analysis by using quarterly 13-F data to calculate quarterly churn rates for each institutional owner and then use that to calculate a quarterly investor turnover rate for each company that is in the Thomson 13-F database.

I base my investment horizon calculation on Gaspar, Massa, Matos (2005). The quarterly churn rate of an investor is calculated as follows:

$$CR_{i,t} = \frac{\sum_{jeQ} N_{jit}P_{jt} - N_{jit-1}P_{jt-1} - N_{jit}\Delta P_{jt}}{\sum_{jeQ} \frac{N_{jit}P_{jt} + N_{jit-1}P_{jt-1}}{2}} \quad (3)$$

Where Q represents the set of companies held by investor i, $P_{j,t}$ and $N_{j,t}$ represent the price and the number of shares respectively for company j in quarter t. The investor turnover is calculated as the weighted average of portfolio churn rates of its investors for the past four quarters. Where $w_{k,i,t}$ represents the weight of investor i in total percentage held by institutional investors at quarter t and the investor turnover of firm k

$$Investor\ turnover_k = \sum_{ieS} w_{k,i,t}\left[\sum_{r=1}^{4} CR_{i,t-r+1}\right] \quad (4)$$

First, using detailed 13F manager data, I construct the churn rates and investor turnover percentages (for all managers). While calculating the investor turnover measure, I exclude all the hedge funds that I identify using two sources. The first source is the hedge fund list used by Brav, Jiang Partnoy and Thomas (2008).[43] The second source is the hedge funds who are activists as identified in Sharkwatch database. The reason to exclude these hedge funds is to calculate an investor turnover rate of all the other institutional investors in each firm. Even though I realize that this is not the whole universe of hedge funds, it is still a relatively clean measure for the investor turnover rate for "other investors" within a company. I then calculate an average investor turnover for each company by year.

After calculating investor turnover rate for each company and year, I merge this sample with the annual COMPUSTAT database. I use the intersection of these two databases as my main sample.

I next merge in the Sharkwatch database of activist events based on the year of occurrence. Using the "type of dissident" variable in Sharkwatch database, I identify the activist events that are initiated by hedge fund activists. To complement this analysis, I

[43] I thank Alon Brav for providing me this data.

also go through the names of hedge funds created by Brav, Partnoy, Jiang and Thomas (2008) and identify additional names of hedge funds that are in the Sharkwatch database but are not marked as hedge funds in the type of dissident column. If there are more than one activist events within a given year, I consider the first event as the activism event for that year to remove the spillover effects of activism similar to Gantchev, Gredil and Jotikastira (2016). There are 894 unique hedge fund activism events between 2005 and 2014 that are matched to a control sample.

In order to create a matched sample, I exclude any company that faced hedge fund activism throughout the sample period. I also exclude other activist events brought by non-hedge fund activists such as individual shareholders or pension funds from my control sample. Then, I identify firms that are targets of hedge fund activism from the Sharkwatch database. I create a matched sample using size, previous year institutional ownership, Tobin's Q (beginning of period) and 2 digit SIC industry code. I use the three nearest neighbors to the match and satisfy common support assumption to increase matching accuracy. My final matched sample includes 894 hedge fund activism events and 2481 matched firm years between 2005 and 2014. I next merge in the Corporate Governance variables from ISS/Risk Metrics, the CRSP link date, I/B/E/S Analyst information, executive compensation from Compustat Execucomp database, spinoffs and divestitures information from Thomson SDC database and the delistings based on (200-399 codes) from CRSP which includes the delistings because of mergers, exchanges or liquidations.

Table 1 Panel A summarizes the results of the hedge fund activism for matched and control sample for the 2005-2014 time period. Investor turnover for the activist

sample is around 19 percent as compared to the control sample of 18 percent and the difference is statistically significant suggesting that the investors in target firms change their positions more frequently. The investor turnover rate of 0.19 translates to an average churn rate of 9.5 percent per quarter or around 40 percent per year. This translates into a holding period of approximately 30 months for the target firms. As supported in Brav, Jiang, Partnoy and Thomas (2008), institutional ownership is higher in firms that are activist targets. Activist firms seem to be similar in size to the matched peers, but older, have more cash and debt and spend a similar amount on capex and R&D when compared with their matched peers. They are more entrenched looking at E-index measures; their board sizes are similar but they have more independent board members. More analysts cover the stock of the target firms. As suggested by Brav, Jiang, Partnoy, and Thomas (2008). The target firms' payouts are higher as compared to the control group.

Table 1 Panel B summarizes the different campaign types as provided in Sharkwatch by investor turnover and also for long-term investors as defined as firms in pensions and endowments portfolios. Interestingly, hedge fund activists are more likely to campaign for maximizing shareholder value in firms with investors that have long investment horizon. They are also more likely to win board control in firms with long-term investors. In firms with short investment horizon, on the other hand, hedge fund activists are more likely to campaign for hostile/unsolicited acquisitions and vote against a merger.

6. Institutional Investment Horizon and Hedge Fund Activism

6. 1. Hedge Fund Targets

I first look at whether investment horizon of investors have an effect on the probability of being targeted by hedge fund activists. I use a probit model to identify whether being a hedge fund target is influenced by the investor horizon of institutional investors in a firm. I include controls for firm characteristics that have been found in the literature as characteristics of firms that are being targeted (See Brav, Jiang, Partnoy, Thomas, 2008) and also include a measure for illiquidity. All specifications include time and industry fixed effects and cluster the standard errors at the firm level. The results are provided in Table 2. In untabulated results, first, I confirm that the variables I use provide similar results to the findings of Brav, Jiang, Partnoy and Thomas (2008). Firms that are smaller, have less growth opportunities and lower dividend yields are more likely to be targeted by hedge fund activists. The target firms also have more institutional ownership.

I run the regressions for firms with long-term institutional investors (bottom 33rd percentile); firms with short-term institutional investors (top 33rd percentile) and firms that have been in portfolios of endowments and pension funds five years or more (alternative long-term horizon specification). In all three specifications, both with and without Brav, Partnoy, Jiang, and Thomas (2008) and liquidity controls, I see a strong positive effect between long-term investment horizon and being a targeted by hedge fund activists and a strong negative effect between short-term investment horizon and being targeted by hedge fund activists. The marginal probabilities from these probit regressions are provided in Appendix 2.

In order to take liquidity into account, I calculate the Amihud (2002) illiquidity measure using the methodology applied by Hasbrouck (2006) which is square root

variant of the Amihud (2002) measure and is calculated using CRSP data as the average over year for each firm of:[44]

$$Amihud = 1000 * \sqrt{\frac{abs(Return)}{abs(Price)*Trading\ Volume}} \quad (5)$$

The results are robust to including this illiquidity measure, suggesting that hedge fund activists target firms that are more liquid as confirmed by Gantchev and Jotikasthira (2016).

In sum, I find support for the first hypothesis suggesting that hedge fund activists are more likely to target firms with investors that have long-term investment horizons most likely to decrease their free rider problem and find sophisticated investors who they can side with to pursue their agenda.

6.2. Hedge Fund Campaign Types and Board Wins

The presence of institutional investors with long term horizons in a company and their monitoring incentives as well as the cooperation opportunities with activists may align well with hedge fund campaign demands if hedge fund campaigns have long-term goals. On the other hand, hedge funds with short-term horizons may be more likely to push for campaigns that have short-term gains in firms with investors that may have short-term investment horizon. I test this hypothesis by looking at hedge fund targets and the types of demands they received from the activists using samples for short and long-term investment horizon separately.

Hedge fund activists usually announce their intentions either through the SEC Form 13-D forms they file, or any other public means such as a publicly disclosed letter

[44] I check my calculations against Hasbrouck's using earlier data.
http://people.stern.nyu.edu/jhasbrou/Research/GibbsEstimates2006/Liquidity%20estimates%202006.htm

to the board of the company. I group the demands into 11 categories based on their groupings in Sharkwatch's primary and secondary campaign types.[45]

Table 3 Panels A, B and C show results of the probit regressions for firms with institutional investors that have short-term horizons; firms with institutional investors that have long-term horizons; and firms that have pension funds/endowments as investors, respectively. Board control seems to be very important to hedge fund activists. It does not matter whether a firm has short or long investors. The results show that hedge fund activists are likely to ask for both control on firms with short and long-term investment horizons. In Table A.6.2. in Appendix 6 I show that board control request of hedge funds in firms with investors that have short-term investment horizons are likely due to these firms being merged. On the other hand, firms with investors that have long-term investment horizons are more likely to receive demands on corporate governance, removal of directors and voting for a stockholder proposal or voting against a merger, both requiring coordination among investors.

Next, I examine when campaigns of hedge fund activists are more successful. I look at whether institutional investment horizon plays a role in hedge funds' success in getting a board seat in targets. Table 4 Panels A, B, and C provide the results for the tactics used by hedge fund activists and whether they were successful in winning a board seat at the end of their campaign. Table 4 Panel C suggests that in firms with long-term institutional investors, hedge fund activists are more likely to win a board seat, they are also more likely to use hostile tactics and proxy fights. This finding suggests that there may be disagreements between sophisticated investors and activists as well. These findings are consistent with Appel, Gormley and Keim (2016a) where they find an

[45] I exclude the "short position" campaign type because of its small sample size.

increased use of proxy fights and higher board representation in firms with more passive mutual fund investors.

In order to tackle my question of voice or voting by the feet (McCahery, Sautner and Starks, 2015), I consider looking at changes in shares of blockholders around the activism event. I calculate the percent change in blockholder ownership and top 10 institutional ownership (one year change and also three-year average change) and see whether the investors in firms that were targeted by hedge funds behave differently in firms with different institutional investment horizons. I observe that post activism, the firms with long-term institutional investment horizon see a decline in ownership (Table 5 Panels B and C). When I look at changes in ownership by campaign type, I observe that firms with long-term investment horizon investors are more likely to buy if the campaign type is related to removing a director or if it is corporate governance related. Both of these findings suggest that institutional investors side with activists if the agenda of the activist aligns with the institutional investors'. This finding is evident in firms with investors that have long-term institutional investors.

These results suggest hedge fund activists are more likely to propose for campaigns that match with the investment horizon of institutional investors. However, institutional investors especially investors that are more sophisticated also may exert voice if they are not happy with the outcome of the campaign.

6.3. Investor Horizon, Hedge Fund Activism and Firm Performance

In the following sections, I would like to understand whether investor horizon is an important determinant in understanding the performance changes in firms post hedge fund activism. It is important to examine if investment horizon of investors affect firm

performance when activists target a firm. I propose that the monitoring role of long-term investors when combined with hedge fund activism that is long-term oriented would result in value creation. The short-term, myopic investor behavior on the other hand may result in a decline in firm performance If the activist has short-term intentions. As a result, the dynamics between hedge fund activism and investment horizon should play a role if both the hedge fund and the institutional investment horizon.

Previous literature identified positive improvements in firm performance (Brav, Partnoy, Jiang, Thomas, 2016; Boyson and Mooradian, 2007; Bebchuck, Brav, Jiang, 2015) after the intervention of hedge fund activists. I analyze firm performance for firms with long-term institutional investment horizon and short-term institutional investment horizon separately. The results are provided in Table 7 Panels A, B and C.

I adopt the framework use by Brav, Jiang and Kim (2010) in measuring firm performance (equation 2 above) and look at year by year changes for target firms starting with three years before intervention until 3 years after intervention and their matched peers. In addition to industry and year dummies I control for firm size and Tobin's Q in all specifications. I use return on equity (ROE), return on assets (ROA), EBITDA/Assets, EBITDA/Sales, NI/Sales, operating profit margin (OPM) as well as research and development and capital expenditures as performance measures. For firms with short-term investment horizon institutional investors, there is improvement during the event year when looking at EBITDA/Sales, NI/Sales or OPM, this improvement is not long-term (Table 7 Panel A). Looking at firms with institutional investors that have long-term horizon (defined in two different ways) I see consistent improvement in almost all performance measures except R&D. Similar to previous findings, hedge funds seem to

add value to firms however, only those firms where there is an alignment in long-term horizon (Table 7, Panels B&C). In firms with investors that have long investment horizon, R&D expenditures seem to decrease post activism suggesting a move away from risky projects.

6.4. Investor Horizon, Hedge Fund Activism and Corporate Governance

I next consider CEO characteristics and corporate governance variables related to managerial entrenchment and board characteristics. In this regard, I first look at various measures of CEO compensation (total compensation, salary and option values, separately, as each of these may have different incentive structures for the CEO - Jensen and Murphy, 1990; Bertrand, 2009 and Yermack, 1995; Mehran, 1995) and CEO ownership and CEO turnover. In terms of corporate governance variables, I look at Bebchuk, Cohen, Ferrell (2009) entrenchment index (E-index), board size and percent of independent directors within the boards. All of these variables have been shown as determinants of firm value and firm complexity (Bebchuck, Cohen and Ferrell, 2009; Jensen, 1993; Yermack, 1996; Coles, Daniel and Naveen, 2008). Previous literature finds an increase in CEO turnover and a decline in equity based compensation post hedge fund activism (Brav, Partnoy, Jiang, Thomas, 2008). With respect to institutional ownership and CEO turnover, Parrino, Sias and Starks (2003) find that institutional investors who are better-informed and are concerned about holding prudent securities and the ones more involved in momentum trading are more likely to exit when the CEO is forced to leave.

My results are provided in Tables 8 (Panels A, B, C) and 9 (Panels A, B, C) for CEO characteristics and corporate governance characteristics, respectively. I observe that overall CEO compensation increases after activist intervention in firms with investors

that have both short-term investment horizon and long-term and most of this increase comes from options. I observe that CEO changes occur more frequently in firms with long-term institutional investors, which likely suggests a mutual long-term governance change agreement in long-horizon firms.

Looking at corporate governance variables, I observe that board size increases in both firms with long and short-term investors at the time of this event. However, the firms that have investors with short-term investment horizon experience decreases in board size starting with 2 years before the event date. I do not see that in firms with investors that have long-term horizon. The increase in board size is not long-term in either case however. After two years, board size seems to decline. The results on E-index don't show any significant change compared to the peers before, during or after activism in firms with investors that have short-term investment horizons but show a consistent decline in firms with investors that have long-term investment horizon 3 years after activism, suggesting that alignment of horizons of investors and activists improve corporate governance characteristics as hedge fund activists demand. Board independence decreases in firms with investors that have short-term horizon during the event year. Whereas in firms with investors that have long investment board independence increases but this increase is not long-term.

Overall, the results in this section suggest an increase in CEO turnover for firms with long-term investors a decrease in E-index and an increase in board independence for firms with long-term investors post hedge fund activism confirming the push by hedge fund activists related to corporate governance changes in firms with long-term investment horizon investors aligning the goals with investment horizon.

6.5. Investor Horizon, Hedge Fund Activism and Capital Structure

I also analyze whether there is a change in the capital structure of firms post activism and whether this is different in firms with institutional investors that have short or long-term horizon. The reason to look at capital structure changes is because prior literature suggests this is one other important type of request that hedge funds ask for. For example, in Brav, Partnoy, Jiang and Thomas (2008) sample, 18 percent of the requests were related to capital structure changes. Crane, A., S. Michenaud, J. Weston (2016) find that firms high institutional ownership are more likely to pay more dividends and this effect is higher for firms with agency problems. I observe very little change in both leverage and payouts in firms with short-term investment horizon investors. Activists do not seem to ask for recapitalization or payouts in these firms that is different than their matched peers. However, I see an increase in both leverage and payouts post activism when looking at firms with pension funds and endowments as investors. The results are provided in Table 10.

6.6. Investor Horizon, Hedge Fund Activism, Spinoffs, Divestitures and Delistings

Another important change that hedge fund activists may request is to sell the company or a portion of its assets. My hypotheses suggest that these decisions should also be related to the investment horizon of other institutions within the company either because of monitoring incentives or free-riding incentives or just working with similar horizon goals. I look at delistings related to mergers or exchanges. I also look at overall divestitures and spinoffs separately. The results are provided in Table 11. I consider delisting, spinoff or divestiture to be effective if it happens within three years of that year. I observe that delistings related to acquisitons or exchanges are very likely post hedge

fund activism both in firms with investors that have short-term investment horizons and long-term investment horizons. Spinoffs are less likely in long-term investor firms. Overall divestitures are slightly higher in firms with long-term investors. These results are all conducted by measuring changes compared to a control sample. In order to understand which type of investment horizon derives the results, I also look at within firms that experience hedge fund activism. I observe that within this hedge fund activism sample, firms with short-term investment horizon investors are more likely to be delisted and observe spinoffs. The results are provided in Table 12.

Overall, the findings in this section support the hypothesis that investment horizons matter in determining the requests of hedge fund activists.

7. Robustness Tests

In this section, I would like to make sure that my findings are not sensitive to how I measure investment horizon or different control variables in my specifications. As a result, I use an alternative definition of investment horizon that is available in the literature.

7.1. Alternative Definitions of Investment Horizon

7.1.1. Level of R&D Investments

The first alternative measure I consider is the investment in R&D. The literature previously finds a positive association between the level of R&D spending and long-term investment horizon. (Bushee, 1998, 2001; Eng, Shackell, 2001). Particularly, Bushee (1998) finds that if investors are concerned about short term earning gains (investors with high portfolio turnover and high momentum trading), they are more likely to cut R&D

spending to reverse an earnings decline. As a result, I use firms with R&D spending as a proxy for long-term investment horizon. I confirm that there is a positive correlation between the measures that I use for long-term investment horizon and a negative correlation between R&D spending and short-term measures of investment horizon. I conduct the same probit regressions as before for understanding the likelihood of being a hedge fund activist target if the firm reports spending on R&D versus not. The results are provided in Table A4.1, columns 1 and 2. I do not find any evidence of an increase or a decrease in the likelihood of hedge fund activism for firms with R&D spending.

7.1.2. S&P 500 Index Membership

Appel, Gormley and Keim (2016) suggest a causal link between passive mutual fund ownership and hedge fund activism which provides evidence to the siding of hedge funds with investors who can help them with their campaigns hypothesis. I use firms that are in the S&P 500 index as a proxy for firms with long-term investors who do not churn their portfolios very much and I consider whether this measure explains being a target of hedge fund activists. The results are provided in Table A4.1, columns 3 and 4. I do not see any evidence of hedge fund activism when I measure the long-term horizon using S&P Index membership as a proxy.

7.1.3. Prevalence of High Levels of Institutional Ownership or of Large Changes in Institutional Ownership

Another alternative definition for investor turnover could be the level of institutional ownership or the amount of large changes in institutional ownership within a given firm. Brav, Partnoy, Jiang and Thomas (2008) find activists prefer firms with high levels of institutional ownership and Gantchev (2013) concludes that institutional

ownership is an important determinant of success for hedge fund activism campaigns. Alternatively, sales in institutional ownership is related to activists filling in the positions (Gantchev and Jotikasthira, 2016). Assuming that institutional investors in general are long-term investors, I use the level of institutional ownership as a proxy for firms with long-term investors. I also employ large purchases institutional investors make within a company the year before hedge fund activism as a proxy for long-term investor horizon while controlling for Amihud illiquidity. The results of my analyses are reported in Table A.4.1. columns 5-10. Supporting prior findings, level of institutional ownership is strongly and positively related to being a target by hedge fund activists, which strengthens the activist siding hypothesis. I do not see any effect of major purchases or sales made by institutional owners the year before activism as a determinant of hedge fund activism.

7.2 Removing Crisis Years

It is possible that the financial crisis of 2008-2009 may have affected the churn rates of institutional investors. As a result, I conduct my analysis by removing these years completely from my analysis. I look at the probability of targeting, campaign types, campaign tactics/outcomes and firm performance in Tables A.5.1 – A.5.4.

In Table A.5.1, I observe that my two investment horizon measures are robust to excluding financial crisis years with respect to hedge fund activism. The campaign tactics also do not show much difference when compared to the whole matched sample results. Hedge funds ask for board control in firms with investors that have both long and short term investment horizons. Activists are more likely to ask for corporate governance changes and vote for a stockholder proposal in firms with long-term institutional

investors. However, when I exclude financial crisis years, I also see that firms with institutions that have long-term investment horizon are less likely to have hostile acquisition campaigns (Table A.5.2.). The tactics and outcomes are not different than before (Table A.5.3). Firm performances are also quite similar to the original specifications in Table 7. Firms that have institutions with long-term investment horizons perform better post activism. The results excluding financial crisis years are provided in Table A.5.4.

7.3 Removing Firms that were Delisted as a Result of Mergers

It is also possible that hedge fund activists could force target firms into a takeover as Greenwood and Schor (2009) suggest. As a result, I conduct another analysis removing the firms that were delisted as a result of merger (CRSP code 200-299). I look at probability of targeting, campaign types, tactics/outcomes used by activists and also firm performance measures post activism. The results are in Appendix 6, Tables A.6.1 – A.6.4.

The findings in Table A.6.1. suggest that probability of hedge fund activism is robust to excluding the firms that merged. Firms with investors that have long-term horizons are more likely to be targets as before. The findings on campaign tactics however, differ a little. In firms with short-term investment horizon investors, when the firms that merged are removed, board control loses its significance which suggests that activists may go after board control in firms with short-term investors if they think that a merger is possible. Board control in firms with long-term investment horizon investors is still significantly positive. Corporate governance tactics and voting for stockholder proposals are requested in firms with institutional investors that have long-term

investment horizon as before (Table A.6.2). Looking at tactics used by hedge funds and the outcomes, it is also interesting to observe that when the merged firms are removed from the sample, hedge funds are less likely to win a board seat in firms with institutional investors that have short-term horizons. Proxy fights and hostile tactics are more likely to be seen in firms with long-term institutional investors (Table A.6.3). Performance metrics post activism do not show much change from before (Table A.6.4).

8. Conclusion

Here, I investigate the relationship between institutional investment horizon and hedge fund activism by focusing on three main questions: probability of being targeted by activists; the campaign types employed by activists; and firms' performance, corporate governance and capital structure.

The evidence in this essay suggests that investment horizon of institutional investors is an important determinant of hedge fund activism. Firms are more likely to be targeted if they have long term institutional investors. Firms with long-term institutional investors receive hedge fund activist demands for improved corporate governance and value maximization, indicating that these activists are more likely monitor the firms and side with other institutional investors with long horizons to take action in improving the firm value in the long run. Also, in these firms, hedge fund activists are more likely to get board seats and initiate proxy fights, suggesting an alignment of these hedge funds with long term activists to reduce agency problems with management. Firms with short-horizon investors, on the other hand, are also more likely to have spinoffs and delistings compared to other targeted firms. Operating performance of firms with institutional investors that have short-term investment horizon does not improve significantly as

compared to their peers. Firms with institutional investors that have long term horizon, however, see significant improvements in firm performance following hedge fund activism.

These findings suggest the demands and actions of hedge fund activists depend on the investment horizon of institutional investors. Furthermore, I observe evidence for alignment of horizon between hedge funds' demands and other institutional investors' investment horizon. Thus, investment horizon of institutions is an important determinant in understanding the targeting and campaign types of hedge funds.

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Table 1: Panel A Descriptive Statistics

This table (Panel A) provides summary statistics and mean comparisons of hedge fund targets and the matched group between 2005 and 2014. Variable Definitions are described in Appendix I. ***,**, and * denote statistical significance based on tow-sided tests at the 1%, 5%, and 10% level, respectively. Matching is conducted as follows: for each year a propensity score matching model for being a hedge fund target is conducted using size, beginning of period Tobin's Q, 2 digit SIC code, and beginning of period institutional ownership as independent variables. Firms that have been an activist shareholder target at least once from the control sample are excluded for all years. Annual firm level values are merged in from Compustat. The difference column shows the difference between mean values of hedge fund activist target sample and the control sample. Panel B provides mean results for campaign types by hedge fund activists on the targeted firms by investor turnover. Panel B summarizes various campaign types and tactics used by hedge fund activists for firms that are targeted. Following Gaspar, Pedro, Matos (2005) the sample is divided into three. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon investors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their institutional investors who have kept these firms in their portfolios for more than five years.

	Activist Sample			***Matched Sample***			***Difference***
Institutional Ownership	count	mean	sd	count	mean	sd	
Investor Turnover	5085	0.19	0.06	13168	0.18	0.07	0.00379***
Fraction	5069	0.60	0.30	13086	0.46	0.59	0.137***
Concentration	5077	0.13	0.17	13099	0.20	0.25	-0.0715***
Top 5 Blockholder Size (in %)	4407	0.25	0.15	9045	0.22	0.16	0.0221***
Firm Characteristics							
Tobin's Q	5105	1.81	1.94	13265	1.99	17.34	-0.176
Firm Size	5110	6.44	2.01	13286	6.49	2.25	-0.0507
Age	5063	18.21	14.30	12667	16.24	13.38	1.967***
Return on Assets	4529	-0.01	0.29	11852	0.00	1.47	-0.00307
Return on Equity	5105	-0.07	5.64	13268	-0.08	8.78	0.0113
Operating Profit Margin	5038	-0.43	8.32	12948	-0.54	10.21	0.109
Capex	4884	0.05	0.06	12139	0.04	0.07	0.00167
R&D	2475	0.09	0.14	5394	0.09	0.20	0.000902
Cash Holdings	5071	0.14	0.17	13060	0.13	0.17	0.0125***
Total Debt	5090	0.18	0.25	13256	0.16	0.38	0.0183***
HHI	5121	0.23	0.19	13300	0.22	0.20	0.0159***
Amihud Illiquidity	4662	0.32	0.67	11737	0.47	1.06	-0.150***
Delistings	5121	0.14	0.34	13300	0.10	0.30	0.0403***
Total Payouts	4162	0.08	1.36	10593	0.05	0.27	0.0321**
Spinoffs	5121	0.02	0.12	13300	0.01	0.08	0.00920***
Number of Analysts	4108	6.97	6.49	9649	6.69	6.08	0.279**
CEO and Corporate Gov Characteristics							
E-Index	1495	3.70	1.31	3201	3.58	1.24	0.123***
CEO/Chmn	1495	0.49	0.50	3201	0.47	0.50	0.0183
CEO Tenure	1284	10.02	9.61	2731	10.25	8.65	-0.235
Board Size	1495	9.09	2.18	3200	9.07	2.31	0.021
Independent Percent	1495	0.80	0.10	3200	0.78	0.11	0.0260***
Total CEO compensation	1997	8.12	1.24	3976	8.01	1.12	0.108***
CEO - Total Current Compensation (salary + bonus)	1988	6.63	1.10	3945	6.63	0.88	-0.005
CEO - Option Awards	1175	6.92	1.19	2088	6.81	1.18	0.105**
CEO - Ownership	1931	6.37	1.50	3929	6.33	1.44	0.0478

Table 1: Panel B Descriptive Statistics

Campaign Types	*Firms with Investors that have Short-term Investment Horizon*			*Firms with Investors that have Long-term Investment Horizon*			*Difference*	*Firms with Investors that have Long-term Investment Horizon (Alternative Def'n)*			*Difference*
	count	mean	sd	count	mean	sd		count	mean	sd	
Hostile Tactic	117	0.29	0.46	482	0.29	0.45	0.00429	637	0.30	0.46	-0.0264
Proxy Fight	117	0.24	0.43	482	0.20	0.40	0.0401	637	0.23	0.42	-0.0276
Board Seats Won	117	0.21	0.41	482	0.31	0.46	-0.102**	637	0.30	0.46	-0.123*
Board Representation	117	0.35	0.48	482	0.37	0.48	-0.0147	637	0.35	0.48	0.00149
Enhance Corporate Governance	117	0.06	0.24	482	0.05	0.21	0.0142	637	0.06	0.23	0.0185
Hostile/Unsolicited Acquisition	117	0.01	0.09	482	0.02	0.14	-0.0101	637	0.01	0.10	0.014
Maximize Shareholder Value	117	0.34	0.48	482	0.43	0.50	-0.0855*	637	0.38	0.49	0.0201
Remove Director(s)/Officer(s)	117	0.03	0.16	482	0.03	0.16	-0.00133	637	0.03	0.17	-0.00483
Support Dissident in Proxy Fight	117	0.00	0.00	482	0.02	0.16	-0.0249*	637	0.01	0.12	-0.0141
Vote Against a Management Proposal	117	0.03	0.18	482	0.04	0.19	-0.00316	637	0.04	0.19	0.0139
Vote For a Mngmt. Proposal/Support Mngmt.	117	0.00	0.00	482	0.00	0.05	-0.00207	637	0.00	0.07	-0.00471
Vote/Activism Against a Merger	117	0.03	0.16	482	0.06	0.24	-0.0366	637	0.07	0.25	-0.0159
Vote For a Stockholder Proposal	117	0.04	0.20	482	0.03	0.17	0.0137	637	0.03	0.18	-0.00954

Table 2: Panel A Hedge Fund Activism and Institutional Investment Horizon

This table reports the firm level determinants of hedge fund activism including investment horizon as an explanatory variable. I base my investment horizon calculation on Gaspar, Massa, Matos (2005). The investment horizon is calculated as the weighted average of turnover of investors' entire portfolios. First, the quarterly churn rate of an investor is calculated as follows:

$$CR_{i,t} = \frac{\sum_{j\epsilon Q} N_{jit} P_{jt} - N_{jit-1} P_{jt-1} - N_{jit} \Delta P_{jt}}{\sum_{j\epsilon Q} \frac{N_{jit} P_{jt} + N_{jit-1} P_{jt-1}}{2}}$$

Where Q represents the set of companies held by investor i, Pj,t and Nj,t represent the price and the number of shares respectively for company j in quarter t. The investor horizon is calculated as the weighted average of portfolio churn rates of its investors for the past four quarters. Where wk,i,t represents the weight of investor i in total percentage held by institutional investors at quarter t and the investor turnover of firm k is:

$$Investor\ turnover_k = \sum_{i\epsilon S} w_{k,i,t} \left[\sum_{r=1}^{4} CR_{i,t-r+1} \right]$$

Following Gaspar, Pedro, Matos (2005) the sample is divided into three. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon investors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their institutional investors who have kept these firms in their portfolios for more than five years. Probit estimations are carried out where an indicator variable takes the value of 1 for firms that were targets of hedge fund activism and 0 for matched sample of firms that were not targeted by hedge fund activists throughout the sample years. Variable definitions are provided in Appendix 1. The first three columns control for 2 digit industry and year fixed effects. Columns 4-6 control for the determinants of activism identified in Brav, Partnoy and Jiang and Thomas (2008) and for Amihud illiquidity measure. All specifications include 2 digit SIC industry and year fixed effects. Standard errors are clustered by firm (gvkey). Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)
Short Term Investment Horizon	**-0.597*** **			**-0.681*** **		
	(-8.770)			**(-6.087)**		
Long Term Investment Horizon		**0.386*** **			**0.608*** **	
		(7.079)			**(6.355)**	
Long Term Inv. Horizon (Alternative Def'n)			**0.316*** **			**0.296*** **
			(5.332)			**(2.697)**
Size				-0.112***	-0.115***	-0.118***
				(-2.770)	(-2.838)	(-2.975)
Sales Growth				-0.00381	-0.000682	-0.00232
				(-0.665)	(-0.118)	(-0.429)
Tobin's Q				0.0372	0.0367	0.0203
				(0.830)	(0.816)	(0.465)
ROA				-0.551*	-0.509*	-0.625**
				(-1.930)	(-1.830)	(-2.179)
Debt				0.318	0.353	0.353
				(1.249)	(1.401)	(1.426)
Dividend Yield				0.0951	0.136	0.0974
				(0.0769)	(0.104)	(0.0780)
R&D				-1.074*	-0.951*	-1.123**
				(-1.909)	(-1.684)	(-1.999)
Number of Analysts				0.0122	0.0151	0.0122
				(1.285)	(1.606)	(1.298)
Amihud				-0.533***	-0.630***	-0.415**
				(-2.938)	(-3.447)	(-2.534)
Observations	3,340	3,340	3,340	1,161	1,161	1,161

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 3: Institutional Investment Horizon and Campaign Types by Hedge Fund Activists

This table reports the relationship between hedge fund activist campaign types and institutional investment horizon for the sample of firms targeted by activists and control firms. Probit estimations are carried out where an indicator variable takes the value of 1 for firms where campaign types are as reported. These campaign types are created based on the groupings in Sharkwatch for Primary and Secondary Campaign Types. Board Control is a combination of Board Control and Board Representation demands by hedge fund activists. Remove Directors is defined as Remove Director(s), No dissident nominee to fill vacancy and remove officer(s). All variable definitions are provided in Appendix 1. Several campaign types are excluded because sample sizes are small especially looking separately at short and long term institutional investment horizon. All regressions control for 2 digit SIC industry and year fixed effects as well as Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Board Control	Corp. Gov.	Maximize Value	Remove Director	Vote for a Stocholder Proposal	Vote Against Merger
Short Term Inv. Horizon Dummy	**0.401***	0.327	-0.0297	**-2.250****	-0.462	**-4.501*****
	(1.924)	(0.723)	(-0.132)	**(-2.008)**	(-1.130)	**(-7.147)**
Size	-0.0329	-0.237	0.100	-1.057***	-0.152	0.138
	(-0.468)	(-1.439)	(1.388)	(-3.118)	(-1.478)	(0.782)
Sales Growth	0.00199	-0.770**	0.0197	-4.328***	-0.119	-1.304*
	(0.158)	(-2.059)	(1.365)	(-2.586)	(-0.591)	(-1.721)
Tobin's Q	-0.155**	-0.0117	-0.273***	0.439**	0.101	-0.261
	(-2.001)	(-0.0910)	(-3.408)	(2.095)	(1.037)	(-1.181)
ROA	-0.296	-2.044**	0.311	4.835***	0.0288	-1.471
	(-0.638)	(-2.461)	(0.632)	(2.721)	(0.0485)	(-1.038)
Debt	-0.193	0.612	-0.0535	0.782	-0.396	1.285
	(-0.537)	(1.011)	(-0.134)	(0.534)	(-0.556)	(1.458)
Dividend Yield	1.923	-0.184	-5.218	-99.58***	-0.0582	-22.60
	(1.195)	(-0.133)	(-1.547)	(-3.934)	(-0.0376)	(-1.266)
R&D	0.952	-6.020*	-1.180	-9.374***	-0.199	3.055
	(0.987)	(-1.805)	(-1.160)	(-2.694)	(-0.130)	(1.289)
Number of Analysts	0.0139	0.0289	-0.00180	0.309***	0.0574**	-0.0177
	(0.912)	(1.056)	(-0.111)	(3.478)	(2.235)	(-0.500)
Observations	382	175	390	185	267	166

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Institutional Investment Horizon and Campaign Types by Hedge Fund Activists (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Hostile Acq'n	(4) Maximize Value	(5) Remove Director	(6) Vote for a Stocholder Proposal	(7) Vote Against Merger
Long Term Inv. Horizon Dummy	0.147	-0.108	-0.509	-0.181	0.326	**0.537****	**0.925****
	(0.921)	(-0.324)	(-1.396)	(-1.104)	(0.669)	**(2.014)**	**(2.063)**
Size	-0.0380	-0.252	-0.772**	0.105	-0.948***	-0.141	0.318*
	(-0.537)	(-1.583)	(-2.356)	(1.460)	(-2.683)	(-1.338)	(1.828)
Sales Growth	0.000800	-0.745**	-1.833	0.0197	-3.162**	-0.105	-1.282*
	(0.0655)	(-2.080)	(-1.545)	(1.356)	(-2.554)	(-0.531)	(-1.887)
Tobin's Q	-0.130	0.00183	0.0264	-0.285***	0.149	0.126	-0.249
	(-1.620)	(0.0129)	(0.0828)	(-3.567)	(0.809)	(1.273)	(-1.356)
ROA	-0.214	-2.113**	1.352	0.280	3.357***	0.140	-2.258*
	(-0.453)	(-2.383)	(1.391)	(0.560)	(2.674)	(0.228)	(-1.774)
Debt	-0.0827	0.639	3.814**	-0.102	-0.0432	-0.405	1.179
	(-0.232)	(1.081)	(2.555)	(-0.257)	(-0.0298)	(-0.527)	(1.351)
Dividend Yield	1.782	-0.353	-9.238	-5.112	-77.85***	-0.107	-29.62
	(1.109)	(-0.256)	(-1.182)	(-1.609)	(-3.803)	(-0.0652)	(-1.525)
R&D	1.153	-6.062**	-8.344*	-1.302	-7.785*	0.507	4.399*
	(1.191)	(-1.991)	(-1.765)	(-1.266)	(-1.908)	(0.322)	(1.749)
Number of Analysts	0.0144	0.0303	0.213***	-0.00391	0.256***	0.0645**	-0.0297
	(0.946)	(1.105)	(2.932)	(-0.243)	(2.794)	(2.547)	(-0.746)
Observations	382	175	117	390	185	267	166

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Hostile Acq'n	(4) Maximize Value	(5) Remove Director	(6) Vote for a Stocholder Proposal	(7) Vote Against Merger
Long Term Inv. Horizon Dummy	**0.406****	**1.427*****	-0.611	-0.0685	**1.909***	**0.889****	0.550
	(2.399)	**(3.135)**	(-0.949)	(-0.385)	**(1.799)**	**(2.309)**	(1.063)
Size	-0.0636	-0.345	-0.708**	0.105	-1.602**	-0.217*	0.0832
	(-0.889)	(-1.632)	(-2.371)	(1.435)	(-2.402)	(-1.940)	(0.458)
Sales Growth	0.000148	-0.480	-1.764*	0.0200	-2.830**	-0.104	-1.005**
	(0.0120)	(-1.342)	(-1.652)	(1.381)	(-2.415)	(-0.445)	(-2.020)
Tobin's Q	-0.145*	-0.0685	0.0415	-0.273***	0.0948	0.100	-0.316
	(-1.862)	(-0.512)	(0.130)	(-3.427)	(0.439)	(1.047)	(-1.499)
ROA	-0.216	-2.586***	1.212	0.300	4.704***	0.0556	-1.317
	(-0.441)	(-2.751)	(1.081)	(0.602)	(2.896)	(0.0877)	(-1.042)
Debt	-0.0262	0.795	3.718***	-0.0761	0.709	-0.295	1.262
	(-0.0747)	(1.160)	(2.900)	(-0.192)	(0.460)	(-0.389)	(1.453)
Dividend Yield	1.369	-1.379	-10.89	-5.064	-99.28***	-0.361	-23.25
	(0.879)	(-0.838)	(-1.096)	(-1.508)	(-2.782)	(-0.236)	(-1.393)
R&D	1.143	-5.361*	-8.643**	-1.204	-6.362	-0.0852	3.105
	(1.140)	(-1.911)	(-2.049)	(-1.191)	(-1.636)	(-0.0575)	(1.301)
Number of Analysts	0.0145	0.0317	0.217***	-0.00197	0.349**	0.0639**	-0.0153
	(0.960)	(1.033)	(3.223)	(-0.122)	(2.465)	(2.453)	(-0.447)
Observations	382	175	117	390	185	267	166

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes

This table reports the relationship between hedge fund activist tactics and outcomes and institutional investment horizon for the sample of firms targeted by activists and control firms. Probit estimations are carried out where an indicator variable takes the value of 1 for firms where tactics and outcomes are reported. The tactics and outcome indicators are created based on Sharkwatch database. All variable definitions are provided in Appendix 1. All regressions control for 2 digit SIC industry and year fixed effects. Columns 4-6 also include Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: Firms with Investors that have Short-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Short Term Inv. Horizon Dummy	0.109	0.157	-0.115	0.283	0.345	-0.308
	(0.701)	(0.928)	(-0.710)	(1.178)	(1.371)	(-1.275)
Size				-0.0816	-0.0135	0.00399
				(-1.192)	(-0.184)	(0.0546)
Sales Growth				-0.0366**	-0.0171	0.0184
				(-2.129)	(-0.931)	(1.038)
Tobin's Q				-0.126	-0.154*	-0.274***
				(-1.571)	(-1.901)	(-3.016)
ROA				-0.553	-0.0767	-0.182
				(-1.213)	(-0.154)	(-0.358)
Debt				-0.839**	-1.327***	0.586
				(-2.157)	(-2.756)	(1.505)
Dividend Yield				1.549	1.324	1.848
				(0.927)	(0.934)	(1.145)
R&D				0.929	0.890	2.451**
				(0.956)	(0.883)	(2.342)
Number of Analysts				0.0333**	0.0130	0.0183
				(2.264)	(0.746)	(1.183)
Observations	861	844	853	374	374	383

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 4: Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	-0.119	-0.158	0.0876	0.0372	0.119	0.200
	(-1.153)	(-1.421)	(0.827)	(0.235)	(0.705)	(1.184)
Size				-0.0816	-0.0159	-0.000332
				(-1.187)	(-0.218)	(-0.00450)
Sales Growth				-0.0363**	-0.0169	0.0180
				(-2.109)	(-0.934)	(1.013)
Tobin's Q				-0.112	-0.138*	-0.273***
				(-1.404)	(-1.737)	(-2.989)
ROA				-0.513	-0.0146	-0.172
				(-1.099)	(-0.0292)	(-0.344)
Debt				-0.750*	-1.171**	0.570
				(-1.896)	(-2.334)	(1.475)
Dividend Yield				1.493	1.250	1.814
				(0.893)	(0.864)	(1.112)
R&D				1.035	1.107	2.536**
				(1.064)	(1.110)	(2.429)
Number of Analysts				0.0327**	0.0131	0.0210
				(2.184)	(0.746)	(1.336)
Observations	861	844	853	374	374	383

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	0.134	**0.234****	**0.229****	**0.759*****	**0.558*****	**0.372****
	(1.279)	**(1.969)**	**(2.031)**	**(4.100)**	**(2.992)**	**(2.004)**
Size				-0.138**	-0.0647	-0.0262
				(-1.962)	(-0.882)	(-0.340)
Sales Growth				-0.0397**	-0.0184	0.0172
				(-2.262)	(-1.003)	(1.006)
Tobin's Q				-0.129	-0.152*	-0.277***
				(-1.625)	(-1.859)	(-3.024)
ROA				-0.454	0.0469	-0.212
				(-0.889)	(0.0887)	(-0.413)
Debt				-0.679*	-1.103**	0.630*
				(-1.695)	(-2.233)	(1.645)
Dividend Yield				0.787	0.824	1.473
				(0.483)	(0.573)	(0.930)
R&D				1.310	1.152	2.417**
				(1.300)	(1.097)	(2.302)
Number of Analysts				0.0355**	0.0151	0.0213
				(2.397)	(0.876)	(1.346)
Observations	861	844	853	374	374	383

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 5: Changes in Institutional Ownership Post Activism by Institutional Investment Horizon

This table reports the changes in institutional ownership post hedge fund activism for firms targeted by activists and their matched peers. Regressions are carried out for one period percent change in institutional ownership measured by looking at top 10 owners, top 5 owners and also three year average changes. All variable definitions are provided in Appendix 1. All regressions control for 2 digit SIC industry and year fixed effects, size and Tobin's Q. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)
VARIABLES	Top 10 Inst'l Own Change	Top 5 Inst'l Own Change	Top 10 Inst'l Own 3 Yr. Avg. Change	Top 5 Inst'l Own 3 Yr. Avg. Change
Hedge Fund Activism	-14.71	-14.18	0.155	0.204
	(-1.610)	(-1.557)	(0.323)	(0.395)
Post	-42.45	-41.33	-0.0102	-0.0208
	(-1.273)	(-1.246)	(-0.0548)	(-0.126)
H.F. Activism*Post	14.16	13.63	-0.0512	-0.0546
	(1.096)	(1.073)	(-0.185)	(-0.217)
Size	-11.74	-11.79	-0.183***	-0.164***
	(-1.086)	(-1.091)	(-4.081)	(-3.957)
Tobin's Q	-0.169	-0.172	0.348***	0.336***
	(-0.767)	(-0.791)	(3.246)	(3.265)
Observations	9,697	9,697	3,321	3,321
R-squared	0.027	0.022	0.073	0.077

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 5: Changes in Institutional Ownership Post Activism by Institutional Investment Horizon (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Top 10 Inst'l Own Change	(2) Top 5 Inst'l Own Change	(3) Top 10 Inst'l Own 3 Yr. Avg. Change	(4) Top 5 Inst'l Own 3 Yr. Avg. Change
Hedge Fund Activism	-34.02	-33.12	-0.231	-0.170
	(-1.368)	(-1.336)	(-1.161)	(-0.911)
Post	-38.91	-37.60	-0.00961	-0.0196
	(-1.319)	(-1.281)	(-0.0556)	(-0.127)
H.F. Activism*Post	-9.732	-9.909	**-0.609****	**-0.552****
	(-0.932)	(-0.980)	**(-2.104)**	**(-2.121)**
Size	-11.40	-11.35	-0.190***	-0.171***
	(-1.183)	(-1.180)	(-4.471)	(-4.352)
Tobin's Q	-0.136	-0.142	0.334***	0.324***
	(-0.651)	(-0.694)	(3.230)	(3.230)
Observations	11,398	11,398	3,946	3,946
R-squared	0.026	0.021	0.070	0.076

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Top 10 Inst'l Own Change	(2) Top 5 Inst'l Own Change	(3) Top 10 Inst'l Own 3 Yr. Avg. Change	(4) Top 5 Inst'l Own 3 Yr. Avg. Change
Hedge Fund Activism	-3.170	-2.616	-0.259*	-0.223*
	(-1.033)	(-1.009)	(-1.917)	(-1.839)
Post	-1.401	-1.135	0.0769	0.0557
	(-1.180)	(-1.137)	(0.661)	(0.535)
H.F. Activism*Post	-1.674	-1.418	**-0.303***	**-0.274***
	(-1.012)	(-1.013)	**(-1.941)**	**(-1.923)**
Size	-1.199	-1.021	-0.117***	-0.100***
	(-1.056)	(-1.062)	(-3.842)	(-3.630)
Tobin's Q	0.0239	0.0466	0.0806***	0.0760***
	(0.104)	(0.252)	(3.149)	(3.131)
Observations	9,715	9,715	3,747	3,747
R-squared	0.006	0.006	0.078	0.087

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 6: Changes in Institutional Ownership around Activism Events by Campaign Type and Institutional Investment Horizon

This table reports the changes in institutional ownership around hedge fund activism for firms targeted by activists by the most requested campaign types. Regressions are carried out for one period percent change in institutional ownership (top 5) around hedge fund activism. All variable definitions are provided in Appendix 1. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon invetors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their instutional investors who have kept these firms in their portfolios for more than five years. All regressions control for 2 digit SIC industry and year fixed effects, size and Tobin's Q. All regressions are clustered at the firm level. Robust t-statistics are reported in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

	Board Control			Maximize Value			Remove Director			Corporate Governance		
VARIABLES	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Short Term Investment Horizon	13.89			-0.105			0.805			0.184		
	(1.110)			(-0.609)			(0.971)			(0.467)		
Long Term Investment Horizon		-5.566			0.214			0.395			**0.569****	
		(-1.015)			(1.352)			(0.213)			**(2.214)**	
Long Term Inv. Horizon (Alternative Def'n)			-10.60			-0.177			**0.733*****			0.333
			(-1.002)			(-0.873)			**(3.288)**			(0.891)
Size	-0.107	-0.488	-0.119	-0.0312	-0.0233	-0.0172	-0.0624	-0.0145	-0.0978	0.0284	0.0840	0.0115
	(-0.204)	(-0.735)	(-0.241)	(-0.796)	(-0.595)	(-0.387)	(-0.870)	(-0.0797)	(-1.586)	(0.370)	(1.591)	(0.174)
Tobin's Q	-2.857	-2.431	-2.285	0.239	0.237	0.243	-0.183	0.434	0.447***	0.0789	0.156***	0.0962
	(-0.991)	(-0.942)	(-0.944)	(1.577)	(1.578)	(1.597)	(-0.340)	(0.378)	(3.165)	(0.718)	(2.947)	(1.599)
Observations	190	190	190	241	241	241	20	20	20	32	32	32
R-squared	0.171	0.143	0.161	0.622	0.623	0.622	0.915	0.898	0.935	0.916	0.959	0.930

Table 7: Hedge Fund Activism, Institutional Investment Horizon and Firm Performance

The table explores the relationship between hedge fund activism, investment horizon and firm performance. Hedge fund activism is measured as a dummy variable for which Sharkwatch indicates a hedge fund targeted a company in a given year. Firm performance measures are return on assets, return on equity , EBITDA/Assets. EBITDA/Sales, NI/Sales, Operating Profit Margin, R&D and Capital Expenditures. All specifications include SIC 2 digit industry and year fixed effects, and also control for size and Tobin's Q. All specifications show the relevant performance measure starting with 3 years before and up to 3 years after the hedge fund activism event. The control sample excludes firms that have been an activist target at least once for all years. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firms with Investors that have Short-term Investment Horizons

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.135	-0.0826	0.116*	0.450	0.929**	0.462	-0.0302	-0.0603
	(0.430)	(-0.461)	(1.839)	(1.049)	(1.979)	(1.047)	(-0.949)	(-0.425)
2 Yrs. Before	-0.230	-0.0164	0.0688	0.611*	0.537	0.632*	0.0251	-0.316
	(-0.830)	(-0.148)	(1.510)	(1.865)	(1.488)	(1.917)	-0.783	(-1.171)
1 Yr. Before	-3.874	-0.0224	-0.00639	0.275	0.168	0.295	0.00689	-0.388
	(-1.075)	(-0.597)	(-0.242)	(1.179)	(0.635)	(1.269)	-0.399	(-1.212)
Event Year	1.479	0.0149	0.0200	**0.419****	**0.386****	**0.425****	0.00637	0.0497
	(1.565)	(0.562)	(0.767)	**(2.392)**	**(2.032)**	**(2.388)**	-0.515	(0.404)
1 Yr. After	-0.341	-0.0464	-0.0171	0.160	0.140	0.104	0.0189	0.0768
	(-0.740)	(-1.487)	(-0.473)	(0.446)	(0.358)	(0.257)	-0.974	(1.098)
2 Yrs. After	0.446*	-0.0436	0.0101	0.305	0.122	0.324	0.0476	0.123
	(1.651)	(-0.892)	(0.361)	(0.965)	(0.399)	(1.039)	-0.908	(1.645)
3 Yrs. After	0.216	-0.0915	0.0277	-4.115	-4.235	-4.090	0.0432	0.243*
	(0.652)	(-1.586)	(0.790)	(-0.985)	(-1.062)	(-1.021)	-1.317	(1.743)
Size	0.109**	0.0366***	0.0442***	0.200***	0.198***	0.212***	-0.0137***	-0.0535
	(2.078)	(6.031)	(12.00)	(4.405)	(4.216)	(4.500)	(-5.938)	(-0.723)
Tobin's Q	0.00161	0.000263	-0.0484***	-0.202*	-0.231**	-0.210*	0.0149***	-0.0577
	(1.511)	(0.318)	(-224.6)	(-1.765)	(-2.025)	(-1.835)	-2.752	(-0.789)
Observations	13,860	12,368	13,396	13,107	13,567	13,525	5,706	12,518
R-squared	0.005	0.009	0.869	0.034	0.034	0.034	0.18	0.017

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 7: Hedge Fund Activism, Institutional Investment Horizon and Firm Performance (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.351*	-0.0199	0.0148	0.161	0.138	0.165	-0.00687	-0.0682
	(1.750)	(-0.628)	(1.567)	(0.873)	(0.753)	(0.880)	(-0.759)	(-0.861)
2 Yrs. Before	0.261	-0.0169	0.00111	0.121	0.117	0.129	-0.0083	-0.0783
	(1.586)	(-0.813)	(0.118)	(0.516)	(0.505)	(0.556)	(-0.979)	(-1.076)
1 Yr. Before	0.0315	-0.00559	-0.000322	0.0962	0.0348	0.0930	0.00312	-0.0526
	(0.226)	(-0.367)	(-0.0408)	(0.213)	(0.0701)	(0.200)	-0.227	(-0.735)
Event Year	-0.376	0.0273*	0.00598	0.212	0.172	0.206	**-0.0178*** **	-0.0348
	(-1.249)	(1.757)	(0.666)	(0.580)	(0.434)	(0.549)	**(-2.914)**	(-0.790)
1 Yr. After	-0.0304	**0.0361** **	0.0171	**0.822*** **	**0.884*** **	**0.834*** **	-0.0214	0.0228
	(-0.225)	**(2.304)**	(0.466)	**(3.516)**	**(3.598)**	**(3.545)**	(-1.544)	(0.146)
2 Yrs. After	**0.404** **	**0.0816** **	**0.0823*** **	**0.888*** **	**0.897*** **	**0.911*** **	**-0.0270** **	-0.0651
	(2.308)	**(2.301)**	**(5.069)**	**(3.606)**	**(3.509)**	**(3.652)**	**(-2.313)**	(-0.334)
3 Yrs. After	0.401	**0.0838*** **	**0.0638** **	**1.026*** **	**1.220*** **	**1.052*** **	**-0.0444*** **	-0.0288
	(1.623)	**(2.954)**	**(2.419)**	**(3.083)**	**(3.467)**	**(3.169)**	**(-3.103)**	(-0.147)
Size	0.116**	0.0357***	0.0427***	0.214***	0.209***	0.223***	-0.0137***	-0.0535
	(2.338)	(6.579)	(12.72)	(5.346)	(5.149)	(5.365)	(-6.509)	(-0.794)
Tobin's Q	0.00132	0.000297	-0.0484***	-0.189*	-0.217*	-0.196*	0.0173***	-0.0494
	(1.415)	(0.390)	(-230.6)	(-1.675)	(-1.947)	(-1.740)	-2.606	(-0.753)
Observations	16,196	14,477	15,702	15,402	15,892	15,845	6,725	14,804
R-squared	0.003	0.008	0.861	0.028	0.028	0.029	0.174	0.015

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.0377	0.00928	0.00433	0.113	0.101	0.113	0.00469	-0.0794
	(0.542)	(0.769)	(0.559)	(0.673)	(0.632)	(0.666)	-0.638	(-0.978)
2 Yrs. Before	-0.0256	-0.0240**	-0.00605	0.0945	0.0541	0.100	0.0107	-0.0532
	(-0.309)	(-2.158)	(-0.854)	(0.504)	(0.300)	(0.535)	-1.272	(-0.933)
1 Yr. Before	-0.0991	-0.0131**	-0.00774	-0.659	-0.738	-0.660	0.00579	-0.0358
	(-1.085)	(-2.025)	(-1.051)	(-0.821)	(-0.854)	(-0.820)	-0.985	(-0.791)
Event Year	-0.185	**-0.0230*** **	-0.0110	**0.375** **	**0.330***	**0.373** **	-0.000619	-0.0601
	(-0.685)	**(-3.258)**	(-1.526)	**(2.024)**	**(1.763)**	**(2.006)**	(-0.122)	(-1.082)
1 Yr. After	0.167	**-0.0150***	0.00679	**0.508** **	**0.487** **	**0.496** **	0.00343	-0.000776
	(0.512)	**(-1.675)**	(0.461)	**(2.359)**	**(2.313)**	**(2.273)**	-0.341	(-0.00739)
2 Yrs. After	0.161	0.0235	0.0137	**0.604*** **	**0.534** **	**0.609*** **	-0.00365	0.00581
	(0.791)	(1.151)	(1.123)	**(2.745)**	**(2.565)**	**(2.790)**	(-0.395)	(0.141)
3 Yrs. After	0.0606	-0.00136	**0.0212***	**0.631** **	**0.563** **	**0.592** **	0.00283	0.0732
	(0.563)	(-0.0934)	**(1.825)**	**(2.351)**	**(2.169)**	**(2.239)**	-0.25	(0.901)
Size	0.0695***	0.0232***	0.0268***	0.242***	0.216***	0.243***	-0.0135***	0.00557
	(4.050)	(11.53)	(11.71)	(4.324)	(4.248)	(4.318)	(-7.326)	(0.218)
Tobin's Q	0.00722	-0.00924	-0.0106	-0.706*	-0.734*	-0.705*	0.0257***	-0.0183
	(0.257)	(-1.183)	(-1.134)	(-1.659)	(-1.668)	(-1.656)	-5.194	(-0.243)
Observations	12,333	11,310	11,895	11,799	12,237	12,213	5,851	11,420
R-squared	0.013	0.087	0.166	0.027	0.029	0.028	0.357	0.036

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 8: Hedge Fund Activism, Institutional Investment Horizon and CEO Characteristics

The table explores the relationship between hedge fund activism, investment horizon and CEO compensation/turnover for firms that were targeted by a hedge fund activist and their matched peers. CEO compensation and ownership measures are from Execucomp. CEO Change is a dummy variable equal to 1 if there was a change in the CEO within a year and zero otherwise. All specifications include industry and year fixed effects and also control for size and Tobin's Q. Variable definitions are in Appendix 1. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)	(5)
VARIABLES	CEO Total Compensation	CEO Salary and Bonus	CEO Options	CEO Ownership	CEO Change
3 Yrs. Before	0.222	0.0896	-0.0261	-0.0348	-0.0852***
	(1.240)	(0.950)	(-0.0700)	(-0.103)	(-2.624)
2 Yrs. Before	0.193	-0.0645	0.0215	-0.242	0.0752
	(1.604)	(-0.953)	(0.0749)	(-0.772)	(0.496)
1 Yr. Before	0.0614	-0.0501	0.270	-0.157	-0.0686**
	(0.286)	(-0.721)	(1.279)	(-0.361)	(-2.570)
Event Year	**0.206***	0.0109	**0.416***	0.147	0.00141
	(1.771)	(0.192)	**(1.908)**	(0.735)	(0.0239)
1 Yr. After	**0.264***	-5.33e-05	0.381	0.197	0.0529
	(1.938)	(-0.000625)	(1.486)	(0.717)	(0.668)
2 Yrs. After	0.226	-0.0142	**0.479****	0.323	**-0.0967*****
	(1.574)	(-0.150)	**(2.014)**	(1.232)	**(-5.248)**
3 Yrs. After	-0.0223	**-0.152***	0.461	0.200	0.0334
	(-0.149)	**(-1.942)**	(1.498)	(0.607)	(0.397)
Size	0.473***	0.200***	0.509***	0.164***	0.00688*
	(27.34)	(12.11)	(24.02)	(5.101)	(1.799)
Tobin's Q	-0.136***	-0.144***	0.0172	0.0168	-0.00744
	(-4.908)	(-6.909)	(0.487)	(0.347)	(-1.407)
Observations	4,117	4,086	2,175	4,068	3,151
R-squared	0.451	0.234	0.560	0.146	0.034

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 8: Hedge Fund Activism, Institutional Investment Horizon and CEO Characteristics

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) CEO Total Compensation	(2) CEO Salary and Bonus	(3) CEO Options	(4) CEO Ownership	(5) CEO Change
3 Yrs. Before	0.0755	0.00720	-0.00958	0.0507	-0.0322
	(1.322)	(0.0568)	(-0.118)	(0.402)	(-1.452)
2 Yrs. Before	0.116*	-0.0349	-0.0440	0.0462	0.0173
	(1.680)	(-0.249)	(-0.436)	(0.322)	(0.542)
1 Yr. Before	0.0202	-0.0847	-0.0365	0.186	**-0.0376***
	(0.200)	(-0.795)	(-0.319)	(1.636)	**(-1.899)**
Event Year	0.0432	-0.0426	-0.0272	-0.0582	**0.0527***
	(0.544)	(-0.589)	(-0.259)	(-0.520)	**(1.746)**
1 Yr. After	**0.182****	0.0275	0.0274	-0.132	0.0572
	(2.100)	(0.389)	(0.196)	(-0.831)	(1.214)
2 Yrs. After	0.0681	0.0801	-0.0383	-0.169	-0.0373
	(0.563)	(0.893)	(-0.264)	(-0.903)	(-0.931)
3 Yrs. After	0.0619	0.116	-0.0372	-0.237	**0.178***
	(0.339)	(1.070)	(-0.275)	(-1.098)	**(1.785)**
Size	0.482***	0.221***	0.499***	0.158***	0.00287
	(26.01)	(9.089)	(25.67)	(5.333)	(0.848)
Tobin's Q	-0.154***	-0.156***	0.0265	0.0451	-0.00844*
	(-4.827)	(-4.351)	(0.798)	(0.965)	(-1.687)
Observations	5,165	5,126	2,786	5,077	3,883
R-squared	0.434	0.179	0.522	0.123	0.034

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) CEO Total Compensation	(2) CEO Salary and Bonus	(3) CEO Options	(4) CEO Ownership	(5) CEO Change
3 Yrs. Before	0.0848	0.00314	-0.0621	-0.00573	-0.0305*
	(1.646)	(0.0331)	(-0.819)	(-0.0526)	(-1.664)
2 Yrs. Before	0.121**	0.0370	-0.0372	0.0191	0.0263
	(2.306)	(0.440)	(-0.467)	(0.181)	(0.970)
1 Yr. Before	0.0676	-0.0171	0.0267	0.0570	-0.0236
	(0.868)	(-0.255)	(0.294)	(0.583)	(-1.259)
Event Year	-0.0580	-0.114	0.0644	-0.0433	**0.0507****
	(-0.482)	(-1.113)	(0.807)	(-0.465)	**(2.104)**
1 Yr. After	**0.225*****	0.000437	**0.161***	-0.0642	**0.0724****
	(4.342)	(0.00975)	**(1.792)**	(-0.541)	**(2.109)**
2 Yrs. After	**0.163*****	0.0495	0.117	-0.00228	-0.0199
	(2.743)	(0.921)	(1.125)	(-0.0177)	(-0.743)
3 Yrs. After	**0.203*****	0.0335	**0.184***	-0.0202	0.0272
	(2.804)	(0.612)	**(1.755)**	(-0.134)	(0.729)
Size	0.480***	0.211***	0.512***	0.162***	0.00293
	(25.11)	(8.584)	(28.24)	(5.521)	(0.915)
Tobin's Q	-0.135***	-0.141***	0.0326	0.0124	-0.00780*
	(-5.068)	(-5.237)	(1.100)	(0.293)	(-1.817)
Observations	5,526	5,500	3,025	5,446	4,282
R-squared	0.417	0.184	0.529	0.123	0.032

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9: Hedge Fund Activism, Institutional Investment Horizon and Corporate Governance Characteristics

The table explores the relationship between hedge fund activism, investment horizon and various corporate governance variables. Board size, e-index and percent of independent board members change is calculated as the difference of each variable from one year post activism minus one year before. All specifications include industry and year fixed effects and also control for size and Tobin's Q. Variable definitions are in Appendix 1. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)
	Board Size		Independent
VARIABLES	Change	E-Index Change	Percent Change
3 Yrs. Before	-0.989	0.56	-0.00835
	(-1.375)	-1.62	(-0.483)
2 Yrs. Before	-1.267***	-0.0626	-0.0492
	(-3.928)	(-0.258)	(-1.513)
1 Yr. Before	-0.732*	-0.286	-0.0188
	(-1.827)	(-0.939)	(-0.552)
Event Year	**0.872****	-0.123	**-0.0274****
	-2.051	(-0.861)	**(-2.336)**
1 Yr. After	-0.168	0.0962	-0.0165
	(-0.372)	-0.319	(-0.868)
2 Yrs. After	**-1.060****	0.0215	-0.0161
	(-2.454)	-0.066	(-0.518)
3 Yrs. After	-0.293	-0.0322	-0.00463
	(-0.391)	(-0.104)	(-0.180)
Size	-0.0194	-0.0393***	-0.00210*
	(-0.901)	(-3.055)	(-1.676)
Tobin's Q	0.0530*	0.024	-0.000666
	-1.73	-1.036	(-0.257)
Observations	2,276	2,277	2,276
R-squared	0.033	0.176	0.032

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 9: Hedge Fund Activism, Institutional Investment Horizon and Corporate Governance Characteristics (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Board Size Change	(2) E-Index Change	(3) Independent Percent Change
3 Yrs. Before	0.057	0.349***	-0.00428
	-0.448	-3.612	(-0.637)
2 Yrs. Before	-0.0227	0.154*	-0.000738
	(-0.189)	-1.748	(-0.0958)
1 Yr. Before	0.141	-0.0218	0.0152*
	-0.79	(-0.285)	-1.718
Event Year	**0.289***	-0.0544	**0.0239****
	-1.768	(-0.638)	**-2.588**
1 Yr. After	-0.0972	-0.206	-0.0117
	(-0.448)	(-1.212)	(-1.092)
2 Yrs. After	-0.396	-0.0775	-0.00998
	(-1.182)	(-0.370)	(-1.099)
3 Yrs. After	-0.582**	-0.637***	-0.00409
	(-2.181)	(-2.733)	(-0.212)
Size	-0.0262	-0.0345***	-0.00118
	(-1.424)	(-2.943)	(-1.080)
Tobin's Q	0.0485*	0.0252	-0.00281
	-1.81	-1.2	(-1.262)
Observations	2,813	2,814	2,813
R-squared	0.024	0.171	0.031

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Board Size Change	(2) E-Index Change	(3) Independent Percent Change
3 Yrs. Before	0.0596	0.318***	-0.00101
	-0.505	-3.695	(-0.157)
2 Yrs. Before	-0.0257	0.0739	-0.002
	(-0.252)	-0.956	(-0.300)
1 Yr. Before	0.0445	-0.0326	0.00341
	-0.324	(-0.443)	-0.425
Event Year	**0.338****	0.00521	**0.0184****
	-2.583	-0.0701	**-2.359**
1 Yr. After	-0.0514	-0.0935	0.000548
	(-0.343)	(-0.849)	-0.0603
2 Yrs. After	**-0.397****	0.0288	**-0.0157***
	(-2.307)	-0.257	**(-1.951)**
3 Yrs. After	-0.300*	-0.334**	-0.0127
	(-1.714)	(-2.470)	(-1.588)
Size	-0.0179	-0.0308***	-0.000738
	(-1.027)	(-2.669)	(-0.715)
Tobin's Q	0.0375	0.0384**	-0.00291
	-1.49	-1.982	(-1.498)
Observations	3,145	3,146	3,145
R-squared	0.024	0.171	0.026

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 10: Hedge Fund Activism, Institutional Investment Horizon and Capital Structure

The table explores the relationship between hedge fund activism, investment horizon and leverage/payout changes for firms that were targets of hedge fund activism and their matched peers. Starting with three years before the event date until three years after. Total payout is the sum of reputrchases and dividend payments. All specifications include industry and year fixed effects. Firms that have been an activist target at least once are excluded from the control sample for all years. Columns 1 and 2 are specifications for firms above the 66th percentile of investor turnover which represent firms with short-term investment horizon investors. Columns 3 and 4 are specifications for firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. Columns 5 and 6 include the alternative definition of investor horizon which is defined as firms that have pensions and endowments in their instutional investors who have kept these firms in their portfolios for more than five years. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)
VARIABLES	Total Debt	Total Payout	Total Debt	Total Payout	Total Debt	Total Payout
3 Yrs. Before	0.0307	-0.0269***	0.0241*	0.00914	0.0190**	0.00384
	(0.435)	(-2.717)	(1.908)	(0.728)	(2.051)	(0.491)
2 Yrs. Before	-0.0295	-0.00935	0.0193*	0.0284	0.0176**	-0.00364
	(-1.109)	(-0.780)	(1.691)	(1.242)	(2.053)	(-1.283)
1 Yr. Before	-0.0302	-0.0169	**0.0226****	0.0688	0.0170**	-0.00588**
	(-1.555)	(-1.509)	**(2.178)**	(1.289)	(2.211)	(-2.501)
Event Year	0.00310	0.0384	0.0139	-0.0295	**0.0160****	**0.00524****
	(0.144)	(1.144)	(1.424)	(-1.214)	**(2.045)**	**(2.024)**
1 Yr. After	0.00774	0.0455	0.0161	-0.0197	**0.0275****	**0.0118*****
	(0.293)	(0.868)	(0.967)	(-0.756)	**(2.080)**	**(2.846)**
2 Yrs. After	-0.000677	**-0.0161****	0.0278	-0.00102	**0.0281***	**0.00923***
	(-0.0242)	**(-2.000)**	(1.398)	(-0.0674)	**(1.934)**	**(1.665)**
3 Yrs. After	-0.0174	-0.00536	0.0357	-0.0163	0.0289*	0.00547
	(-0.645)	(-0.504)	(0.997)	(-1.039)	(1.713)	(1.142)
Size	0.00615*	-0.000521	0.00739**	0.00866	0.0145***	0.00420***
	(1.738)	(-0.148)	(2.184)	(1.338)	(7.891)	(8.159)
Tobin's Q	0.000274	-3.21e-05	0.000237	-2.16e-05	-0.0135***	-0.00194***
	(0.579)	(-1.247)	(0.535)	(-0.487)	(-4.121)	(-3.519)
Observations	13,841	11,080	16,177	13,021	12,293	10,579
R-squared	0.072	0.023	0.085	0.026	0.290	0.074

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Table 11: Hedge Fund Activism, Institutional Investment Horizon and Corporate Restructuring

The table explores the relationship between hedge fund activism, investment horizon and delistings/divestitures for firms that were targets of hedge fund activism and their matched peers. Starting with three years before the event date until three years after. Delistings is an indicator variable equal to 1 if a delisting occurs because of merger, exchange or liquidation (CRSP dlstcd 200, 399) similar to Gov, Shin, Srinivasan (2014). Divestitures include all divestitures from SDC Thomson database. All specifications include industry and year fixed effects. Firms that have been an activist target at least once are excluded from the control sample for all years. Columns 1 -3 are specifications for firms above the 66th percentile of investor turnover which represent firms with short-term investment horizon investors at the time of the activism. Columns 4 -6 are specifications for firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. Columns 7 -9 include the alternative definition of investor horizon which is defined as firms that have pensions and endowments in their instutional investors who have kept these firms in their portfolios for more than five years. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	Short-term Investment Horizon			Long-term Investment Horizon			Long-term Investment Horizon (Alternative Def'n)		
	(1)	(2)	(3)	(4)	(5)	6	(7)	(8)	(9)
VARIABLES	Delistings	Spinoffs	Divestiture	Delistings	Spinoffs	Divestiture	Delistings	Spinoffs	Divestiture
3 Yrs. Before	-0.0315	-0.00993***	0.0665	-0.0964***	0.00882	0.0772***	-0.0711***	-0.0103***	0.0553***
	(-0.584)	(-2.729)	(1.164)	(-8.710)	(1.137)	(3.399)	(-7.317)	(-4.411)	(2.696)
2 Yrs. Before	0.105*	-0.00852**	0.0709	0.0292	0.0115	0.0486**	0.0424***	-0.00976***	0.0470**
	(1.913)	(-2.500)	(1.445)	(1.636)	(1.538)	(2.449)	(2.681)	(-4.570)	(2.488)
1 Yr. Before	0.126***	0.0219	0.0653*	**0.0760*** **	**0.0157** **	**0.0385** **	0.0828***	-0.00862***	0.0419**
	(3.048)	(1.374)	(1.690)	**(4.493)**	**(2.126)**	**(2.310)**	(5.506)	(-4.541)	(2.557)
Event Year	**0.125*** **	**0.0363** *	0.00512	**0.0972*** **	**0.0182** **	**0.0384** **	**0.0809*** **	**-0.00763*** **	**0.0280** *
	(3.123)	**(1.707)**	(0.171)	**(5.628)**	**(2.109)**	**(2.438)**	**(5.719)**	**(-4.388)**	**(1.875)**
1 Yr. After	**0.0930** *	0.0101	**-0.0493** *	**0.0622*** **	0.00112	-0.00960	**0.0644*** **	**-0.00927*** **	-0.00169
	(1.768)	(0.600)	**(-1.699)**	**(2.789)**	(0.172)	(-0.595)	**(3.442)**	**(-4.395)**	(-0.0997)
2 Yrs. After	**0.211*** **	0.0126	-0.0348	**0.0507** *	-0.000737	0.0129	**0.0800*** **	**-0.00888*** **	-0.0137
	(3.213)	(0.715)	(-1.079)	**(1.879)**	(-0.0980)	(0.571)	**(3.502)**	**(-4.264)**	(-0.787)
3 Yrs. After	**0.190*** **	0.0165	-0.0439	0.0205	**-0.00685** **	0.0334	0.0810***	-0.00820***	-0.000434
	(2.865)	(0.777)	(-1.376)	(0.681)	**(-2.520)**	(1.084)	(3.129)	(-3.858)	(-0.0214)
Size	-0.0209***	0.00205***	0.00372*	-0.0224***	0.00342***	0.00622***	-0.0163***	0.00259***	0.00660**
	(-9.729)	(2.720)	(1.909)	(-11.28)	(4.288)	(3.292)	(-7.755)	(2.685)	(2.555)
Tobin's Q	-0.000206**	9.34e-06	-3.75e-05	-0.000205**	1.71e-05	-4.95e-05	-0.00456**	-0.00144**	-0.0119***
	(-2.135)	(0.957)	(-0.582)	(-2.373)	(1.638)	(-0.631)	(-2.504)	(-2.308)	(-4.361)
Observations	13,874	13,874	13,874	16,212	16,212	16,212	12,333	12,333	12,333
R-squared	0.081	0.025	0.045	0.079	0.026	0.044	0.085	0.025	0.059

Table 12: Hedge Fund Activism, Institutional Investment Horizon and Delistings, Spinoffs and Divestitures

The table explores the relationship between hedge fund activism, investment horizon and delistings/divestitures for firms that were targets of hedge fund activism. Delistings is an indicator variable equal to 1 if a delisting occurs because of merger, exchange or liquidation (CRSP dlstcd 200, 399) similar to Gov, Shin, Srinivasan (2014). Divestitures include all divestitures from SDC Thomson database. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon invetors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their instutional investors who have kept these firms in their portfolios for more than five years. All specifications include industry and year fixed effects. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

	Delistings			Spinoffs			Divestitures		
VARIABLES	(1)	(2)	(3)	(1)	(2)	(3)	(1)	(2)	(3)
Short Term Investment Horizon	**0.357*** **			**0.631** **			-0.0848		
	(2.741)			**(2.572)**			(-0.702)		
Long Term Investment Horizon		**-0.409*** **			0.115			0.0427	
		(-4.745)			(0.653)			(0.565)	
Long Term Inv. Horizon (Alternative Def'n)			**-0.715*** **			0.0648			-0.0491
			(-7.780)			(0.312)			(-0.557)
Size	-0.139***	-0.150***	-0.0941***	0.333***	0.305***	0.304***	0.0759***	0.0775***	0.0812***
	(-5.825)	(-6.153)	(-3.841)	(5.597)	(5.058)	(4.871)	(3.753)	(3.861)	(3.858)
Tobin's Q	-0.0272	-0.0307	-0.0282	-0.0666	-0.0580	-0.0621	-0.107***	-0.109***	-0.110***
	(-0.861)	(-0.953)	(-1.027)	(-0.805)	(-0.711)	(-0.747)	(-3.226)	(-3.247)	(-3.311)
Observations	4,815	4,815	4,815	3,082	3,082	3,082	5,010	5,010	5,010

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 1: Variable Definitions

Variable	Definition
Activist Campaign	An indicator variable equal to 1 if an activist event was initiated against the firm as identified in the Sharkwatch database and zero otherwise. Source: FactSet/Sharkwatch.
Age	Firm age calculated as the difference between the firm's fiscal year and the first time it appears in CRSP (ltdate). Source: CRSP, Compustat.
Amihud Illiquidity	Average by for each firm within a given year of 1000*square root of (absolute return/absolute price* volume). Calculated based on Hasbrouck 2006 and Amihud 2002. Source: CRSP.
Board Representation	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as Board Control, Representation or Board Represantation in Sharkwatch.
Board Seats Won	An indicator variable equal to 1 if Campaign Resulted in Board Seat variable is marked as "Yes" and zero otherwise. Source: FactSet/Sharkwatch.
Board Seats Won	A dummy variable equal to 1 if Campaign Resulted in Board Seat variable is marked as "Yes" and zero otherwise. Source: FactSet/Sharkwatch.
Board Size	The total number of directors of a company within a given year. Source: RiskMetrics.
Capex	Capital Expenditures divided by Plant, Property and Equipment. Source: Compustat
Cash Holdings	Total cash holdings (t)/Total assets (t). Source: Compustat
CEO Chairman Duality	Dummy variable =1 if the CEO is also the Chairman of the board. Source: RiskMetrics
CEO compensation without stock options (Total Compensation)	Total current compensation of CEO (Salary + Bonus). Source: Execucomp.
CEO Option Awards	Value of option-related awards (e.g. options, stock appreciation rights, and other instruments with option-like features). Valuation is based upon the value of options that vested during the year as detailed in FAS123R. The repoted value is the cost recorded by the company on its income statement as well as any amounts that were capitalized on the balance sheet for the fiscal year. Source: Execucomp.
CEO Ownership	Percentage of Total Shares Owned - Options Excluded. Source: Execucomp.
CEO Tenure	DataYear– the year CEO started working as the CEO. Negative CEO Tenures are considered missing but zeros are kept. Source: RiskMetrics
CEO Turnover	An indicator variable equal to 1 if there is a change in the CEO from the previous year, 0 otherwise. Source: ISS Directors.
Concentration	Ownership concentration measure retrieved from Thomson 13F database. The measure is calculated for each quarter as the sum of all owners' squared percent ownership measures.
Delistings	An indicator variable equal to 1 if a firm's CRSP delisting code (dlstcd) is between 200 and 399 (merged or exchanged) within three years of that year. Source: CRSP.
Divestiture	An indicator variable equal to 1 if a deal is marked as divestiture in SDC database. Only completed deals that are within U.S. are considered. Source: Thomson SDC database.
Dividend Yield	(Cash dividends + preferred dividends) / market value of equity. Source: Compustat

Appendix 1: Variable Definitions (Cont'd)

Variable	Definition
EBITDA/Assets	EBITDA [t]/Total Assets [t]. Source: Compustat.
EBITDA/Sales	EBITDA [t]/Total Sales [t]. Source: Compustat.
E-index	Classified board + limits to shareholder bylaw amendments+ poison pill + golden parachute + supermajority requirements for mergers and charter amendments. Source: RiskMetrics (based on Bebchuck, Cohen, Ferrell, 2009).
Enhance Corporate Governance	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Enhance Corporate Governance"" in Sharkwatch.
Firm Size	Log of total assets. Source: Compustat
Fraction	Institutional ownership percentage. Source: Thomson 13F
Hedge Fund Activism	An indicator variable equal to 1 if the type of activist in Sharkwatch Database is identified as a hedge fund. In addition, the hedge fund list from Brav, Jiang, Partnoy, and Thomas (2008) is reviewed and a few other Dissidents are identified as hedge funds. Source: Sharkwatch, Alan Brav.
HHI	Ownership Concentration - Herfindahl-Hirschman Index. Calculated as total squared sum of each firms' sales divided by total sales in that SIC code. Source: Compustat.
Hostile Tactic	A dummy variable equal to 1 if any of the variables Proxy Fight, Dissident Tactic Hostile offer, Dissident Tactic Lawsuit, Dissident Tactic Tender Offer Launched or Stake Only, Dissident Tactic Proxy Fight, Dissident Tactic Unsolicited Offer, Dissident Fight Letter Special is marked with "Yes" and 0 otherwise within the Sharkwatch matched sample. Source FactSet/Sharkwatch.
Hostile/Unsolicited Acquisiton	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Hostile/Unsolicited Acquisition" in Sharkwatch.
Independent Percent	The percent of directors that are marked as independent (as a percent of total board size). Source: RiskMetrics.
Investor Turnover	Investor turnover is calculated as the weighted average of turnover of investors' entire portfolios. First, the quarterly churn rate of an investor is calculated as follows: $$CR_{i,t} = \frac{\sum_{jeQ} N_{jit} P_{jt} - N_{jit-1} P_{jt-1} - N_{jit} \Delta P_{jt}}{\sum_{jeQ} \frac{N_{jit} P_{jt} + N_{jit-1} P_{jt-1}}{2}}$$ Where Q represents the set of companies held by investor i, Pj,t and Nj,t represent the price and the number of shares respectively for company j in quarter t. The investor horizon is calculated as the weighted average of portfolio churn rates of its investors for the past four quarters. Where wk,i,t represents the weight of investor i in total percentage held by institutional investors at quarter t and the investor turnover of firm k is: $$Investor\ turnover_k = \sum_{ieS} w_{k,i,t} \left[\sum_{r=1}^{4} CR_{i,t-r+1} \right]$$ Investor Turnover calculation excludes the churn rate of hedge funds that are identified. Investor Turnover measure is averaged over four quarters to get an annual measure. Source: Thomson 13F.
Long Term Inv. Horizon (Alternative Def'n)	An indicator variable equal to 1 if a firm has an investor identified as a state/government pension fund, private pension fund or an endowment; reports in the Thomson 13F database and holds that firm's stock for more than five years and zero otherwise. Source: Thomson 13F.

Appendix 1: Variable Definitions (Cont'd)

Variable	Definition
Maximize Shareholder Value	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Maximize Shareholder Value" in Sharkwatch.
Number of Analysts	Number of analysts covering the firm (numest) from I/B/E/S from summary statistics file.
Operating Profit Margin (OPM)	EBIT(t)/Sales (t). Source: Compustat
Proxy Fight	An indicator variable equal to 1 if the variable is marked with "Yes" within the Sharkwatch matched sample and 0 otherwise. Source: FactSet/Sharkwatch.
R&D Expenses	Research and development expense divided by book value of assets. Source: Compustat
Remove Director(s)/Officer(s)	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Remove Director(s), No Dissident Nominee to Fill Vacancy" or "Remove Officers" in Sharkwatch.
Return on Assets (ROA)	Net income (t)/ Book Value of Assets (t-1). Source: Compustat.
Return on Equity	Net income/common ordinary equity (total). Source: Compustat.
Sales Growth	Percent growth in Sales from past year. Source: Compustat.
Short Term Investment Horizon	An indicator variable equal to 1 if a firm has investor turnover that is in the top 33rd percentile of the whole sample and zero otherwise. Source: Thomson 13F.
Spinoffs	An indicator variable equal to 1 if the deal is marked as "spinoff" in SDC, 0 otherwise within the three years of that calendar year. Only completed deals that are within the U.S. are considered. Source: Thomson SDC database.
Support Dissident in Proxy Fight	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Support Dissident Group in Proxy Fight" in Sharkwatch.
Tobin's Q	Beggining of period Market value of assets/Book value of assets. Market value of assets is defined as book value of assets + market value of equity - book value of equity. Source: Compustat.
Top 5 Blockholder Size	Total shares held by top 5 blockholders (in percent). Source: Thomson 13F.
Top 5/10 Inst'l Own 3 Yr. Avg. Change	Percent change in institutional ownership calculated as a percentage change using three year average values after and three year average values before. This value is calculated separately for top 10 institutional owners and top 5 institutional owners. Source: Thomson 13F.
Top 5/10 Inst'l Own Change	Percent change in institutional ownership calculated as a percentage change using one year after and one year before values. This value is calculated separately for top 10 institutional owners and top 5 institutional owners. Source: Thomson 13F.
Total CEO compensation	log (tdc1). TDC1=salary+bonus+restricted stock + stock options + l.t. incentive payouts + others. Source: Execucomp
Total Debt	Long term debt/total assets. Source: Compustat.
Total Payout	(Total dividends + purchase of common and preferred stock)/ market value of equity. Source: Compustat.
Vote Against a Management Proposal	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Vote Against a Management Proposal" in Sharkwatch.

Variable	Definition
Vote For a Mngmt. Proposal/Support Mngmt.	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Vote For a Management Proposal/Support Management" in Sharkwatch.
Vote for A Stocholder Proposal	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Vote For a Stockholder Proposal" in Sharkwatch.
Vote/Activism Against a Merger	An indicator variable equal to 1 if the Primary or the Secondary campaign type is marked as "Vote/Activism Against a Merger" in Sharkwatch.

Appendix 2: Hedge Fund Activism and Institutional Investment Horizon Marginal Effects

This table reports the marginal effects on the probit regressions that are reported in Table 2. Probit estimations are carried out where an indicator variable takes the value of 1 for firms that were targets of hedge fund activism and 0 for matched sample of firms that were not targeted by hedge fund activists throughout the sample years. Variable definitions are provided in Appendix 1. All specifications control for 2 digit industry and year fixed effects. Firms at the top 66th percentile of investor turnover represent firms with short-term investment horizon investors. Firms at the bottom 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their institutional investors who have kept these firms in their portfolios for more than five years. Probit estimations are carried out where an indicator variable takes the value of 1 for firms that were targets of hedge fund activism and 0 for matched sample of firms that were not targeted by hedge fund activists throughout the sample years. Variable definitions are provided in Appendix 1. The first three columns control for 2 digit industry and year fixed effects. Columns 4 and 5 control for the determinants of activism identified in Brav, Partnoy and Jiang and Thomas (2008) and for Amihud illiquidity measure. All specifications include 2 digit SIC industry and year fixed effects. Standard errors are clustered by firm (gvkey). ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

VARIABLES	(1)	(2)	(3)	(4)	(5)
Short Term Investment Horizon	-0.184***			-0.229***	
	(0.0205)			(0.0361)	
Long Term Investment Horizon		0.120***			0.204***
		(0.0166)			(0.0306)
Long Term Inv. Horizon (Alternative Def'n)			0.0985***		
			(0.0184)		
Size				-0.0375***	-0.0386***
				(0.0135)	(0.0135)
Sales Growth				-0.00128	-0.000229
				(0.00193)	(0.00194)
Tobin's Q				0.0125	0.0123
				(0.0150)	(0.0151)
ROA				-0.185*	-0.171*
				(0.0952)	(0.0928)
Debt				0.107	0.118
				(0.0857)	(0.0842)
Dividend Yield				0.0320	0.0456
				(0.416)	(0.438)
R&D				-0.361*	-0.319*
				(0.188)	(0.189)
Number of Analysts				0.00410	0.00508
				(0.00318)	(0.00317)
Amihud Illiquidity				-0.179***	-0.211***
				(0.0607)	(0.0607)
Observations	3,340	3,340	3,340	1,161	1,161

Appendix 3: Top Hedge Fund Activists by Target Firms' Institutional Investment Horizon

The table lists the names of the top 10 Hedge Funds in Sharkwatch database grouped by their targets' institutional investment horizons within the sample between 2005 and 2014. The sample is constructed by merging Thomson 13-F Institutional holdings data with COMPUSTAT and Sharkwatch Activism. The source of the information in Sharkwatch includes company/activist filings and press releases, news/trade publications, and company websites. The coverage of Sharkwatch includes all proxy fights announced since January 1, 2001 and all other non-proxy activism events since January 1, 2006 as well as the main activists' events since 2005.

Targets with Short-Term Investment Horizon

Hedge Fund	Freq.	Percent
GAMCO Asset Management, Inc.	9	7.69
Millennium Management LLC	6	5.13
Starboard Value LP	6	5.13
Clinton Group, Inc.	5	4.27
Crescendo Advisors LLC	3	2.56
Third Point LLC	3	2.56
ValueAct Capital Management LP	3	2.56
Atticus Management LLC	2	1.71
DellaCamera Capital Management LLC	2	1.71
Discovery Group I LLC	2	1.71

Targets with Long-Term Investment Horizon

Hedge Fund	Freq.	Percent
GAMCO Asset Management, Inc.	67	13.9
Icahn Associates Corp.	21	4.36
Starboard Value LP	21	4.36
Stilwell Value LLC	12	2.49
ValueAct Capital Management LP	12	2.49
Discovery Group I LLC	11	2.28
Relational Investors, LLC	11	2.28
Clinton Group, Inc.	9	1.87
Wynnefield Capital Management, LLC	9	1.87
Millennium Management LLC	8	1.66

Appendix 4: Alternative Definitions of Institutional Investment Horizon and Hedge Fund Activism

This table reports the firm level determinants of hedge fund activism for different proxies for firms with long-term investment horizon investors. The first two columns divide the firms by high R&D investment (R&D Investment Indicator is equal to 1 if the firm made investment in R&D within a given year and 0 if not). Columns 2-4 look at firms within the S&P 500 index. Columns 5-6 focus on firms with high institutional investors (above median percent ownership of institutional investors within a given year). Columns 7-8 focus on firms with above median institutional ownership purchases (top 10) within the year before hedge fund activism and columns 9 -10 focus on firms with above medidan institutional ownership sells (top 10) within the year before hedge fund activism. All variable definitions are provided in Appendix 1. Columns, 1, 3, 5, 7 and 9 control for 2 digit industry and year fixed effects. Columns 2, 4, 6, 8 and 10 control for the determinants of activism identified in Brav, Partnoy and Jiang and Thomas (2008) and for Amihud illiquidity measure (column 2 does not control forR&D). All specifications include 2 digit SIC industry and year fixed effects. Standard errors are clustered by firm (gvkey). Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
R&D Investment Indicator	-0.0352	0.0542								
	(-0.425)	(0.545)								
S&P Index Indicator			0.0918	0.00869						
			(0.851)	(0.0490)						
Above median institutional ownership					**0.552*** **	**0.790*** **				
					(9.468)	**(6.539)**				
Above median top 10 inst'l own buys							-0.0162	-0.120		
							(-0.254)	(-1.113)		
Above median top 10 inst'l own sells									-0.136	0.00205
									(-1.501)	(0.0144)
Size		-0.0712**		-0.108**		-0.140***		-0.107***		-0.107***
		(-2.375)		(-2.524)		(-3.399)		(-2.707)		(-2.697)
Sales Growth		-0.000814		-0.00293		-0.00127		-0.00292		-0.00294
		(-0.137)		(-0.522)		(-0.242)		(-0.519)		(-0.523)
Tobin's Q		-0.0214		0.0280		0.0432		0.0287		0.0279
		(-0.573)		(0.639)		(0.974)		(0.657)		(0.638)
ROA		-0.343		-0.600**		-0.648**		-0.599**		-0.600**
		(-1.631)		(-2.076)		(-2.276)		(-2.070)		(-2.076)
Debt		0.383**		0.333		0.196		0.333		0.333
		(2.055)		(1.340)		(0.779)		(1.341)		(1.339)
Dividend Yield		0.498		0.155		0.445		0.148		0.157
		(0.812)		(0.120)		(0.366)		(0.114)		(0.122)
R&D				-1.176**		-1.194**		-1.146**		-1.175**
				(-2.080)		(-2.127)		(-2.026)		(-2.078)
Number of Analysts		0.00319		0.0123		0.00769		0.0123		0.0125
		(0.430)		(1.278)		(0.789)		(1.316)		(1.326)
Amihud		-0.294***		-0.455***		-0.160		-0.457***		-0.453***
		(-2.773)		(-2.680)		(-1.083)		(-2.748)		(-2.718)
Observations	3,340	2,205	3,340	1,161	3,300	1,161	3,300	1,161	3,300	1,161

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years

Table A.5.1. Hedge Fund Activism and Investment Horizon

This table reports the firm level determinants of hedge fund activism including investment horizon as an explanatory variable excluding the financial crisis year (2008 & 2009). I base my investment horizon calculation on Gaspar, Massa, Matos (2005). Following Gaspar, Pedro, Matos (2005) the sample is divided into three. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon investors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their institutional investors who have kept these firms in their portfolios for more than five years. Probit estimations are carried out where an indicator variable takes the value of 1 for firms that were targets of hedge fund activism and 0 for matched sample of firms that were not targeted by hedge fund activists throughout the sample years. Variable definitions are provided in Appendix 1. The first three columns control for 2 digit industry and year fixed effects. Columns 4 and 5 control for the determinants of activism identified in Brav, Partnoy and Jiang and Thomas (2008) and for Amihud illiquidity measure. All specifications include 2 digit SIC industry and year fixed effects. Standard errors are clustered by firm (gvkey). Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

VARIABLES	(1)	(2)	(3)	(4)	(5)
Short Term Investment Horizon	**-0.631*** **			**-0.893*** **	
	(-7.849)			**(-5.921)**	
Long Term Investment Horizon		**0.428*** **			**0.648*** **
		(7.075)			**(5.939)**
Long Term Inv. Horizon (Alternative Def'n)			**0.440*** **		
			(6.377)		
Size				-0.117***	-0.111**
				(-2.597)	(-2.460)
Sales Growth				0.00133	0.00461
				(0.225)	(0.739)
Tobin's Q				0.0175	0.0160
				(0.329)	(0.306)
ROA				-0.798**	-0.647*
				(-2.279)	(-1.954)
Debt				0.510*	0.557*
				(1.650)	(1.887)
Dividend Yield				0.123	-0.108
				(0.0755)	(-0.0686)
R&D				-1.812***	-1.352**
				(-2.645)	(-1.989)
Number of Analysts				0.0204*	0.0222**
				(1.951)	(2.107)
Amihud				-0.315	-0.362*
				(-1.634)	(-1.912)
Observations	2,795	2,795	2,795	910	910

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.2. Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes

This table reports the relationship between hedge fund activist campaign types and institutional investment horizon for the sample of firms targeted by activists and control firms excluding financial crisis years (2008 and 2009). Probit estimations are carried out where an indicator variable takes the value of 1 for firms where campaign types are as reported. These campaign types are created based on the groupings in Sharkwatch for Primary and Secondary Campaign Types. Board Control is a combination of Board Control and Board Representation demands by hedge fund activists. Remove Directors is defined as Remove Director(s), No dissident nominee to fill vacancy and remove officer(s). All variable definitions are provided in Appendix 1. Several campaign types are excluded because sample sizes are small especially looking separately at short and long term institutional investment horizon. All regressions control for 2 digit SIC industry and year fixed effects as well as Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and *

Panel A: Firms with Investors that have Short-term Investment Horizons

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Maximize Value	(4) Remove Director
Short Term Inv. Horizon Dummy	**0.566****	0.498	-0.0572	-2.380
	-2.008	(1.058)	(-0.196)	(-1.468)
Size	0.0163	-0.154	0.105	-1.087***
	-0.202	(-0.928)	(1.291)	(-2.836)
Sales Growth	-0.000944	-0.841**	0.0238	-3.479**
	(-0.0701)	(-2.267)	(1.481)	(-2.190)
Tobin's Q	-0.141*	-0.0418	-0.281***	0.563**
	(-1.791)	(-0.336)	(-3.310)	(2.234)
ROA	-0.672	-1.864**	0.409	5.878**
	(-1.238)	(-2.317)	(0.691)	(2.458)
Debt	-0.206	0.611	-0.442	0.996
	(-0.466)	(0.982)	(-0.956)	(0.584)
Dividend Yield	5.005*	0.373	-3.836	-108.3***
	-1.806	(0.209)	(-1.346)	(-3.540)
R&D	0.82	-3.949	-1.358	-6.291**
	-0.729	(-1.255)	(-1.235)	(-2.238)
Number of Analysts	0.00584	0.0178	-0.00560	0.307***
	-0.348	(0.633)	(-0.319)	(3.214)
Observations	295	156	301	168

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.2. (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Hostile Acq'n	(4) Maximize Value	(5) Remove Director	(6) Vote for a Stocholder Proposal	(7) Vote Against Merger
Long Term Inv. Horizon Dummy	0.178	-0.279	-0.237	-0.216	-0.145	**0.774****	0.560
	-0.965	(-0.834)	(-0.657)	(-1.142)	(-0.281)	**(2.112)**	(1.172)
Size	-0.00174	-0.178	-0.659**	0.117	-0.886**	-0.117	0.319*
	(-0.0213)	(-1.085)	(-2.197)	(1.424)	(-2.456)	(-0.817)	(1.648)
Sales Growth	-0.00367	-0.848**	-1.453	0.0237	-2.758**	-0.323	-1.838**
	(-0.283)	(-2.314)	(-1.261)	(1.459)	(-2.394)	(-0.908)	(-2.134)
Tobin's Q	-0.106	-0.0249	0.0685	-0.296***	0.173	0.248**	-0.210
	(-1.290)	(-0.180)	(0.223)	(-3.466)	(0.804)	(2.103)	(-1.074)
ROA	-0.66	-2.021**	0.395	0.396	4.358***	1.223	-3.971**
	(-1.201)	(-2.260)	(0.360)	(0.659)	(2.713)	(1.384)	(-2.370)
Debt	-0.0807	0.696	2.665**	-0.466	0.320	-4.918**	0.909
	(-0.186)	(1.196)	(2.134)	(-1.019)	(0.184)	(-2.535)	(0.951)
Dividend Yield	4.493*	-0.168	-3.190	-3.790	-92.38***	-12.17	-16.12
	-1.784	(-0.0947)	(-0.773)	(-1.437)	(-4.027)	(-0.740)	(-0.866)
R&D	0.94	-4.263	-7.494	-1.418	-4.525	2.214	2.667
	-0.833	(-1.465)	(-1.499)	(-1.279)	(-1.516)	(1.067)	(1.127)
Number of Analysts	0.00771	0.0201	0.201***	-0.00860	0.237***	0.0937***	0.00147
	-0.457	(0.708)	(3.562)	(-0.493)	(2.824)	(2.637)	(0.0389)
Observations	295	156	92	301	168	176	135

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Hostile Acq'n	(4) Maximize Value	(5) Remove Director
Long Term Inv. Horizon Dummy	**0.406****	**1.332*****	**-16.68***	-0.115	1.384
	-2.061	**(3.016)**	**(-1.791)**	(-0.582)	(1.348)
Size	-0.0243	-0.252	-2.894**	0.114	-1.324**
	(-0.292)	(-1.203)	(-2.100)	(1.379)	(-2.291)
Sales Growth	-0.00434	-0.529	-16.25	0.0243	-2.252**
	(-0.336)	(-1.468)	(-1.447)	(1.501)	(-2.155)
Tobin's Q	-0.122	-0.0830	1.158	-0.281***	0.123
	(-1.546)	(-0.617)	(1.306)	(-3.312)	(0.606)
ROA	-0.693	-2.516***	11.06	0.405	5.199***
	(-1.258)	(-2.663)	(1.293)	(0.680)	(2.973)
Debt	0.0196	0.846	19.78*	-0.493	0.384
	-0.0448	(1.268)	(1.745)	(-1.075)	(0.234)
Dividend Yield	3.704	-1.070	-149.0**	-3.582	-100.1***
	-1.538	(-0.484)	(-2.066)	(-1.280)	(-3.375)
R&D	0.805	-3.648	-108.1*	-1.378	-3.187
	-0.698	(-1.358)	(-1.906)	(-1.255)	(-1.246)
Number of Analysts	0.00779	0.0193	1.290*	-0.00602	0.301**
	-0.463	(0.608)	(1.959)	(-0.344)	(2.467)
Observations	295	156	92	301	168

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.3. Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes

This table reports the relationship between hedge fund activist tactics and outcomes and institutional investment horizon for the sample of firms targeted by activists and control firms excluding the financial crisis years (2008 and 2009). Probit estimations are carried out where an indicator variable takes the value of 1 for firms where tactics and outcomes are reported. The tactics and outcome indicators are created based on Sharkwatch database. All variable definitions are provided in Appendix 1. All regressions control for 2 digit SIC industry and year fixed effects. Columns 4-6 also include Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: Firms with Investors that have Short-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Short Term Inv. Horizon Dummy	0.180	0.150	-0.105	0.199	0.255	-0.517
	(0.966)	(0.731)	(-0.526)	(0.665)	(0.803)	(-1.429)
Size				-0.0770	-0.00920	0.0528
				(-1.005)	(-0.107)	(0.600)
Sales Growth				-0.0446**	-0.0181	0.0168
				(-2.286)	(-0.928)	(0.933)
Tobin's Q				-0.0847	-0.117	-0.248***
				(-1.058)	(-1.434)	(-2.736)
ROA				-0.790	-0.190	-0.764
				(-1.497)	(-0.339)	(-1.203)
Debt				-0.974**	-1.640***	0.551
				(-2.181)	(-2.863)	(1.193)
Dividend Yield				4.408*	2.833*	4.326*
				(1.725)	(1.710)	(1.912)
R&D				1.255	0.629	2.624**
				(1.116)	(0.566)	(2.089)
Number of Analysts				0.0326**	0.0136	0.0109
				(2.068)	(0.718)	(0.625)
Observations				289	289	299

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.3 (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	-0.209*	-0.144	0.0671	0.0602	0.219	0.218
	(-1.713)	(-1.094)	(0.542)	(0.327)	(1.116)	(1.143)
Size				-0.0823	-0.0245	0.0479
				(-1.070)	(-0.284)	(0.541)
Sales Growth				-0.0448**	-0.0183	0.0174
				(-2.304)	(-0.957)	(0.953)
Tobin's Q				-0.0737	-0.0986	-0.246***
				(-0.919)	(-1.244)	(-2.703)
ROA				-0.792	-0.162	-0.678
				(-1.514)	(-0.297)	(-1.082)
Debt				-0.920**	-1.544***	0.520
				(-2.061)	(-2.662)	(1.144)
Dividend Yield				4.245*	2.741*	4.543**
				(1.721)	(1.655)	(2.161)
R&D				1.312	0.807	2.673**
				(1.166)	(0.739)	(2.136)
Number of Analysts				0.0331**	0.0162	0.0130
				(2.062)	(0.834)	(0.745)
Observations				289	289	299

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	0.136	0.158	0.180	**0.583*** **	**0.422** **	0.184
	(1.146)	(1.189)	(1.443)	**(2.862)**	**(2.063)**	(0.867)
Size				-0.127	-0.0557	0.0424
				(-1.618)	(-0.647)	(0.465)
Sales Growth				-0.0467**	-0.0193	0.0173
				(-2.401)	(-1.009)	(0.973)
Tobin's Q				-0.0839	-0.113	-0.250***
				(-1.070)	(-1.413)	(-2.767)
ROA				-0.804	-0.183	-0.711
				(-1.531)	(-0.332)	(-1.124)
Debt				-0.834*	-1.482***	0.560
				(-1.817)	(-2.577)	(1.226)
Dividend Yield				3.239	2.240	4.155*
				(1.489)	(1.359)	(1.949)
R&D				1.254	0.607	2.499**
				(1.098)	(0.538)	(2.007)
Number of Analysts				0.0360**	0.0169	0.0119
				(2.277)	(0.901)	(0.682)
Observations				289	289	299

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.4 Hedge Fund Activism, Institutional Investment Horizon and Firm Performance

The table explores the relationship between hedge fund activism, investment horizon and firm performance excluding financial crisis years (2008 and 2009). Hedge fund activism is measured as a dummy variable for which Sharkwatch indicates a hedge fund targeted a company in a given year. Firm performance measures are return on assets, return on equity , EBITDA/Assets. EBITDA/Sales, NI/Sales, Operating Profit Margin, R&D and Capital Expenditures. All specifications include SIC 2 digit industry and year fixed effects, and also control for size and Tobin's Q. All specifications show the relevant performance measure starting with 3 years before and up to 3 years after the hedge fund activism event. The control sample excludes firms that have been an activist target at least once for all years. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	ROE	ROA	EBITDA/Assets	EBITDA/Sales	NI/Sales	OPM	R&D	Cap Ex
3 Yrs. Before	0.194	0.0394	0.0682	0.814*	0.805	0.825*	-0.0175	-0.125
	(0.459)	(0.447)	(1.049)	(1.690)	(1.527)	(1.649)	(-0.621)	(-0.760)
2 Yrs. Before	-0.302	-0.0676	0.0683	0.895*	0.714	0.909*	0.0285	-0.410
	(-0.686)	(-0.392)	(1.081)	(1.713)	(1.247)	(1.747)	(0.504)	(-1.249)
1 Yr. Before	-0.370	-0.0399	-0.00873	0.127	0.0239	0.151	0.0325	-0.495
	(-1.046)	(-0.779)	(-0.319)	(0.456)	(0.0741)	(0.548)	(1.287)	(-1.277)
Event Year	1.211	0.00748	0.0279	0.151	0.0818	0.157	0.00353	0.0609
	(1.117)	(0.229)	(0.964)	(0.968)	(0.490)	(0.982)	(0.246)	(0.450)
1 Yr. After	0.435	-0.0621	0.00303	-0.0712	-0.214	-0.246	0.0231	0.135
	(0.778)	(-1.036)	(0.0692)	(-0.0826)	(-0.219)	(-0.240)	(0.469)	(1.255)
2 Yrs. After	0.543	-0.101	-0.000926	0.677	0.587	0.679	0.0917	**0.220****
	(1.426)	(-1.132)	(-0.0271)	(1.050)	(0.929)	(1.074)	(0.913)	**(2.052)**
3 Yrs. After	0.237	-0.0911	0.0276	-4.126	-4.241	-4.098	0.0426	**0.231***
	(0.722)	(-1.532)	(0.804)	(-0.988)	(-1.065)	(-1.023)	(1.285)	**(1.761)**
Size	0.139**	0.0363***	0.0436***	0.185***	0.175***	0.198***	-0.0151***	-0.0862
	(2.089)	(5.396)	(12.12)	(3.527)	(3.187)	(3.646)	(-5.581)	(-0.931)
Tobin's Q	0.00155	0.000512	-0.0483***	-0.190	-0.209*	-0.197	0.0149***	-0.0409
	(1.280)	(0.854)	(-381.5)	(-1.515)	(-1.694)	(-1.575)	(2.662)	(-0.681)
Observations	10,683	9,203	10,318	10,101	10,462	10,434	4,248	9,624
R-squared	0.004	0.008	0.905	0.033	0.032	0.034	0.166	0.017

Appendix 5: Analysis Excluding Financial Crisis Years (Cont'd)

Table A.5.4 (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.541*	-0.0328	0.00608	0.344*	0.241	0.348*	-0.0101	-0.0752
	(1.957)	(-0.740)	(0.614)	(1.781)	(1.165)	(1.767)	(-0.911)	(-0.745)
2 Yrs. Before	0.238	-0.0263	-0.00275	0.101	0.102	0.108	-0.00728	-0.0341
	(1.313)	(-1.055)	(-0.274)	(0.367)	(0.375)	(0.400)	(-0.765)	(-0.722)
1 Yr. Before	0.0299	-0.00158	0.000898	0.0662	-0.00488	0.0599	-0.00881	-0.0228
	(0.214)	(-0.101)	(0.114)	(0.134)	(-0.00903)	(0.118)	(-1.079)	(-0.441)
Event Year	-0.135	0.0254	-0.000156	0.141	0.123	0.130	**-0.0121***	-0.0481
	(-0.772)	(1.415)	(-0.0150)	(0.313)	(0.252)	(0.280)	**(-1.889)**	(-0.736)
1 Yr. After	0.00780	**0.0434*** **	0.0108	**0.873*** **	**0.965*** **	**0.868*** **	**-0.0351*** **	0.0160
	(0.0656)	**(2.820)**	(0.231)	**(3.090)**	**(3.226)**	**(3.087)**	**(-3.026)**	(0.0701)
2 Yrs. After	**0.474****	**0.0887****	**0.0863*** **	**0.926*** **	**0.943*** **	**0.947*** **	**-0.0302****	-0.138
	(2.436)	**(2.259)**	**(5.009)**	**(3.367)**	**(3.297)**	**(3.405)**	**(-2.413)**	(-0.529)
3 Yrs. After	0.424	**0.0889*** **	**0.0640****	**1.066*** **	**1.260*** **	**1.094*** **	**-0.0461*** **	-0.0997
	(1.597)	**(3.129)**	**(2.419)**	**(3.006)**	**(3.365)**	**(3.090)**	**(-3.254)**	(-0.440)
Size	0.131**	0.0354***	0.0423***	0.215***	0.205***	0.226***	-0.0148***	-0.0828
	(2.074)	(5.960)	(12.68)	(4.647)	(4.234)	(4.692)	(-6.088)	(-0.965)
Tobin's Q	0.00138	0.000472	-0.0483***	-0.185	-0.208*	-0.192	0.0167***	-0.0346
	(1.304)	(0.783)	(-388.0)	(-1.476)	(-1.682)	(-1.531)	(2.676)	(-0.639)
Observations	12,532	10,826	12,141	11,910	12,297	12,267	5,031	11,424
R-squared	0.003	0.007	0.897	0.028	0.027	0.029	0.163	0.015

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.0705	0.0165	0.00143	0.195	0.158	0.190	0.00308	-0.0186
	(0.961)	(1.027)	(0.159)	(1.179)	(0.928)	(1.130)	(0.328)	(-0.663)
2 Yrs. Before	-0.0733	-0.0218	-0.00538	0.0473	0.0263	0.0524	0.0140	-0.0210
	(-1.133)	(-1.582)	(-0.677)	(0.206)	(0.118)	(0.229)	(1.293)	(-0.735)
1 Yr. Before	-0.144	-0.0141**	-0.00301	-0.903	-0.981	-0.902	0.00694	-0.0196
	(-1.637)	(-1.989)	(-0.441)	(-0.927)	(-0.938)	(-0.929)	(1.003)	(-0.673)
Event Year	-0.0370	**-0.0298*** **	**-0.0137***	**0.378***	**0.367**	**0.373***	0.00562	-0.0381
	(-0.168)	**(-3.909)**	**(-1.693)**	**(1.678)**	**(1.605)**	**(1.658)**	(0.966)	(-1.048)
1 Yr. After	-0.0379	-0.00660	0.0126	**0.551***	**0.597****	**0.536***	0.00667	0.0634
	(-0.464)	(-0.650)	(0.684)	**(1.960)**	**(2.091)**	**(1.868)**	(0.570)	(0.536)
2 Yrs. After	0.218	0.0226	0.00952	**0.572****	**0.554****	**0.576****	0.00116	0.0148
	(0.827)	(0.892)	(0.688)	**(2.271)**	**(2.254)**	**(2.311)**	(0.103)	(0.415)
3 Yrs. After	0.0270	-0.00248	**0.0209***	**0.640****	**0.576****	**0.598****	0.00398	0.0242
	(0.254)	(-0.171)	**(1.849)**	**(2.279)**	**(2.109)**	**(2.166)**	(0.354)	(0.655)
Size	0.0518***	0.0215***	0.0256***	0.244***	0.221***	0.244***	-0.0134***	-0.00967
	(2.811)	(10.15)	(10.77)	(4.109)	(3.958)	(4.112)	(-7.049)	(-0.736)
Tobin's Q	0.0129	-0.0101	-0.0102	-0.785	-0.808	-0.782	0.0242***	0.0262
	(0.451)	(-1.349)	(-1.034)	(-1.608)	(-1.600)	(-1.603)	(5.270)	(0.633)
Observations	9,416	8,393	9,074	9,000	9,342	9,328	4,333	8,711
R-squared	0.018	0.071	0.165	0.028	0.029	0.028	0.367	0.026

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger

Table A.6.1. Hedge Fund Activism and Investment Horizon

This table reports the firm level determinants of hedge fund activism including investment horizon as an explanatory variable excluding the firms that were delisted because of a merger (CRSP code 200 - 299). I base my investment horizon calculation on Gaspar, Massa, Matos (2005). Following Gaspar, Pedro, Matos (2005) the sample is divided into three. Firms above the 66th percentile of investor turnover represent firms with short-term investment horizon investors. Firms below the 33rd percentile of investor turnover represent firms with long-term investment horizon investors. The alternative definition of investor horizon includes firms that have pensions and endowments in their institutional investors who have kept these firms in their portfolios for more than five years. Probit estimations are carried out where an indicator variable takes the value of 1 for firms that were targets of hedge fund activism and 0 for matched sample of firms that were not targeted by hedge fund activists throughout the sample years. Variable definitions are provided in Appendix 1. The first three columns control for 2 digit industry and year fixed effects. Columns 4 and 5 control for the determinants of activism identified in Brav, Partnoy and Jiang and Thomas (2008) and for Amihud illiquidity measure. All specifications include 2 digit SIC industry and year fixed effects. Standard errors are clustered by firm (gvkey). Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

VARIABLES	(1)	(2)	(3)	(4)	(5)
Short Term Investment Horizon	**-0.631*** **			**-0.893*** **	
	(-7.849)			**(-5.921)**	
Long Term Investment Horizon		**0.428*** **			**0.648*** **
		(7.075)			**(5.939)**
Long Term Inv. Horizon (Alternative Def'n)			**0.440*** **		
			(6.377)		
Size				-0.117***	-0.111**
				(-2.597)	(-2.460)
Sales Growth				0.00133	0.00461
				(0.225)	(0.739)
Tobin's Q				0.0175	0.0160
				(0.329)	(0.306)
ROA				-0.798**	-0.647*
				(-2.279)	(-1.954)
Debt				0.510*	0.557*
				(1.650)	(1.887)
Dividend Yield				0.123	-0.108
				(0.0755)	(-0.0686)
R&D				-1.812***	-1.352**
				(-2.645)	(-1.989)
Number of Analysts				0.0204*	0.0222**
				(1.951)	(2.107)
Amihud				-0.315	-0.362*
				(-1.634)	(-1.912)
Observations	2,795	2,795	2,795	910	910

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.2. Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes

This table reports the relationship between hedge fund activist campaign types and institutional investment horizon for the sample of firms targeted by activists and control firms excluding the firms that were delisted because of a merger (CRSP code 200 - 299). Probit estimations are carried out where an indicator variable takes the value of 1 for firms where campaign types are as reported. These campaign types are created based on the groupings in Sharkwatch for Primary and Secondary Campaign Types. Board Control is a combination of Board Control and Board Representation demands by hedge fund activists. Remove Directors is defined as Remove Director(s), No dissident nominee to fill vacancy and remove officer(s). All variable definitions are provided in Appendix 1. Several campaign types are excluded because sample sizes are small especially looking separately at short and long term institutional investment horizon. All regressions control for 2 digit SIC industry and year fixed effects as well as Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)
VARIABLES	Board Control	Corp. Gov.	Maximize Value	Vote for a Stocholder Proposal
Short Term Inv. Horizon Dummy	0.311	-0.0917	0.0104	0.0707
	(0.962)	(-0.133)	(0.0319)	(0.101)
Size	-0.0415	-0.363	0.104	-0.227*
	(-0.518)	(-1.629)	(1.234)	(-1.681)
Sales Growth	0.00998	-0.333	0.0127	-0.327
	(0.824)	(-0.681)	(0.784)	(-0.869)
Tobin's Q	-0.0944	-0.577*	-0.376***	0.0786
	(-1.173)	(-1.730)	(-3.660)	(0.678)
ROA	-0.368	-0.751	0.0419	1.388
	(-0.639)	(-0.728)	(0.0730)	(1.374)
Debt	-0.0384	-0.806	-0.406	-1.502*
	(-0.0726)	(-0.766)	(-0.735)	(-1.711)
Dividend Yield	3.851*	-0.477	-15.61***	0.162
	(1.665)	(-0.217)	(-3.338)	(0.0742)
R&D	-0.491	-5.230	-1.194	1.037
	(-0.437)	(-1.465)	(-0.960)	(0.554)
Number of Analysts	0.0113	0.0456	0.00517	0.0689**
	(0.641)	(1.238)	(0.275)	(2.147)
Observations	260	119	267	145

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.2. (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Maximize Value	(4) Remove Director	(5) Vote for a Stocholder Proposal	(6) Vote Against Merger
Long Term Inv. Horizon Dummy	**0.401***	-0.288	-0.348	-0.119	**1.277*****	0.326
	(1.920)	(-0.698)	(-1.610)	(-0.134)	**(2.907)**	(0.596)
Size	-0.0658	-0.373*	0.114	-1.547**	-0.203	0.372
	(-0.805)	(-1.856)	(1.344)	(-2.495)	(-1.391)	(1.623)
Sales Growth	0.00906	-0.410	0.0124	-6.282***	-0.172	-1.573*
	(0.737)	(-0.989)	(0.752)	(-2.871)	(-0.971)	(-1.956)
Tobin's Q	-0.0652	-0.573*	-0.391***	0.216	0.210*	-0.205
	(-0.769)	(-1.741)	(-3.845)	(0.791)	(1.928)	(-0.925)
ROA	-0.211	-0.806	-0.0846	4.358**	1.941*	-3.777**
	(-0.365)	(-0.738)	(-0.145)	(2.074)	(1.678)	(-2.314)
Debt	0.136	-0.844	-0.501	-0.265	-1.096	0.889
	(0.255)	(-0.819)	(-0.901)	(-0.131)	(-1.091)	(0.665)
Dividend Yield	3.126	-0.109	-14.95***	-103.7**	-1.219	-23.91
	(1.358)	(-0.0469)	(-3.133)	(-2.496)	(-0.556)	(-1.187)
R&D	-0.0774	-6.106	-1.614	-10.25	3.087	2.488
	(-0.0693)	(-1.552)	(-1.250)	(-1.359)	(1.372)	(1.040)
Number of Analysts	0.0154	0.0462	0.00176	0.327***	0.0795**	-0.0173
	(0.893)	(1.334)	(0.0949)	(2.791)	(2.401)	(-0.443)
Observations	260	119	267	110	145	105

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Board Control	(2) Corp. Gov.	(3) Maximize Value	(4) Remove Director
Long Term Inv. Horizon Dummy	0.333	**0.930***	-0.0595	0.461
	(1.426)	**(1.881)**	(-0.233)	(0.433)
Size	-0.0611	-0.365	0.107	-1.656**
	(-0.755)	(-1.566)	(1.252)	(-2.082)
Sales Growth	0.00767	-0.137	0.0130	-5.950***
	(0.628)	(-0.314)	(0.799)	(-3.238)
Tobin's Q	-0.0846	-0.627*	-0.377***	0.233
	(-1.035)	(-1.754)	(-3.667)	(0.899)
ROA	-0.412	-1.108	0.0405	5.083*
	(-0.712)	(-1.005)	(0.0705)	(1.924)
Debt	0.133	-0.770	-0.413	-0.315
	(0.252)	(-0.701)	(-0.756)	(-0.166)
Dividend Yield	3.448	-1.214	-15.48***	-105.0**
	(1.495)	(-0.527)	(-3.288)	(-2.576)
R&D	-0.486	-5.025	-1.201	-8.648
	(-0.424)	(-1.557)	(-0.965)	(-1.419)
Number of Analysts	0.0104	0.0363	0.00536	0.341**
	(0.595)	(0.950)	(0.284)	(2.352)
Observations	260	119	267	110

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.3. Institutional Investment Horizon and Tactics Used by Hedge Fund Activists and Outcomes

This table reports the relationship between hedge fund activist tactics and outcomes and institutional investment horizon for the sample of firms targeted by activists and control firms excluding the firms that were delisted because of a merger (CRSP code 200 - 299). Probit estimations are carried out where an indicator variable takes the value of 1 for firms where tactics and outcomes are reported. The tactics and outcome indicators are created based on Sharkwatch database. All variable definitions are provided in Appendix 1. All regressions control for 2 digit SIC industry and year fixed effects. Columns 4-6 also include Brav, Partnoy, Jiang and Thomas, 2008 controls. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. All regressions are clustered at the firm level. Robust z-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively .

Panel A: Firms with Investors that have Short-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Short Term Inv. Horizon Dummy	0.0362	0.113	-0.196	0.102	0.158	**-0.899****
	(0.176)	(0.507)	(-0.897)	(0.250)	(0.385)	**(-2.118)**
Size				-0.133*	-0.00375	-0.00993
				(-1.774)	(-0.0450)	(-0.114)
Sales Growth				-0.0308*	-0.00775	0.0124
				(-1.844)	(-0.452)	(0.980)
Tobin's Q				-0.0622	-0.0724	-0.226**
				(-0.734)	(-0.829)	(-2.305)
ROA				-0.562	-0.103	-1.135*
				(-1.057)	(-0.175)	(-1.798)
Debt				-1.220**	-1.710**	0.941
				(-2.113)	(-2.543)	(1.472)
Dividend Yield				1.391	0.310	8.378**
				(0.566)	(0.160)	(2.017)
R&D				-0.215	-0.769	0.0765
				(-0.185)	(-0.657)	(0.0608)
Number of Analysts				0.0395**	0.00798	0.0115
				(2.356)	(0.406)	(0.596)
Observations	641	598	629	254	251	246

Robust z-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.3. (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	-0.00597	-0.00670	0.0862	0.321	**0.402***	0.0906
	(-0.0486)	(-0.0501)	(0.683)	(1.497)	**(1.785)**	(0.427)
Size				-0.145*	-0.0185	-0.00385
				(-1.921)	(-0.220)	(-0.0439)
Sales Growth				-0.0303*	-0.00723	0.0159
				(-1.834)	(-0.437)	(1.262)
Tobin's Q				-0.0419	-0.0476	-0.229**
				(-0.504)	(-0.564)	(-2.294)
ROA				-0.401	0.0813	-1.005*
				(-0.764)	(0.142)	(-1.676)
Debt				-1.110*	-1.554**	0.706
				(-1.795)	(-2.068)	(1.188)
Dividend Yield				0.928	-0.284	7.662*
				(0.378)	(-0.147)	(1.906)
R&D				0.220	-0.252	0.118
				(0.192)	(-0.220)	(0.0949)
Number of Analysts				0.0422**	0.0109	0.0126
				(2.432)	(0.543)	(0.654)
Observations	641	598	629	254	251	246

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) Hostile Tactic	(2) Proxy Fight	(3) Board Seat Win	(4) Hostile Tactic	(5) Proxy Fight	(6) Board Seat Win
Long Term Inv. Horizon Dummy	0.0940	0.194	0.0366	**0.680*** **	**0.464***	0.134
	(0.730)	(1.322)	(0.264)	**(2.822)**	**(1.810)**	(0.512)
Size				-0.160**	-0.0344	-0.00816
				(-2.098)	(-0.407)	(-0.0905)
Sales Growth				-0.0341**	-0.00935	0.0150
				(-2.063)	(-0.558)	(1.195)
Tobin's Q				-0.0536	-0.0658	-0.227**
				(-0.625)	(-0.744)	(-2.309)
ROA				-0.621	-0.0878	-1.066*
				(-1.178)	(-0.152)	(-1.747)
Debt				-1.113*	-1.553**	0.735
				(-1.799)	(-2.110)	(1.241)
Dividend Yield				0.907	-0.0307	7.642*
				(0.374)	(-0.0158)	(1.879)
R&D				-0.160	-0.727	0.000671
				(-0.137)	(-0.616)	(0.000541)
Number of Analysts				0.0376**	0.00759	0.0118
				(2.210)	(0.388)	(0.610)
Observations	641	598	629	254	251	246

Robust z-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.4 Hedge Fund Activism, Institutional Investment Horizon and Firm Performance

The table explores the relationship between hedge fund activism, investment horizon and firm performance excluding the firms that were delisted because of a merger (CRSP code 200 - 299). Hedge fund activism is measured as a dummy variable for which Sharkwatch indicates a hedge fund targeted a company in a given year. Firm performance measures are return on assets, return on equity , EBITDA/Assets. EBITDA/Sales, NI/Sales, Operating Profit Margin, R&D and Capital Expenditures. All specifications include SIC 2 digit industry and year fixed effects, and also control for size and Tobin's Q. All specifications show the relevant performance measure starting with 3 years before and up to 3 years after the hedge fund activism event. The control sample excludes firms that have been an activist target at least once for all years. Panel A reports the results for firms that have institutional investors with short-term investment horizon during the year of activism. Panel B provides results for firms with investors that have long-term investment horizon. Panel C again provides results for firms with long-term investment horizon with the alternative definition of long-term investment horizon using pension funds and endowments. Variable definitions are in Appendix 1. Standard errors are clustered at the firm level. Robust t-statistics are in parantheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10%, respectively.

Panel A: Firms with Investors that have Short-term Investment Horizons

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	ROE	ROA	EBITDA/Assets	EBITDA/Sales	NI/Sales	OPM	R&D	Cap Ex
3 Yrs. Before	0.408	-0.220	0.0942	-0.0273	0.598	-0.0336	-0.0784	-0.0628
	(0.866)	(-0.819)	(1.256)	(-0.0530)	(1.021)	(-0.0641)	(-1.484)	(-0.298)
2 Yrs. Before	-0.274	-0.0724	0.0568	0.560	0.351	0.577	0.0384	-0.476
	(-0.615)	(-0.415)	(0.887)	(1.262)	(0.715)	(1.317)	(0.672)	(-1.131)
1 Yr. Before	-0.313	-0.0560	-0.0224	0.190	0.0328	0.215	0.00320	-0.549
	(-0.736)	(-1.010)	(-0.609)	(0.538)	(0.0817)	(0.625)	(0.106)	(-1.274)
Event Year	1.447	-0.00855	0.00575	**0.504****	0.419	**0.499****	-0.00472	0.0265
	(1.089)	(-0.233)	(0.155)	**(2.085)**	(1.613)	**(2.059)**	(-0.238)	(0.157)
1 Yr. After	-0.649	**-0.0859****	-0.0475	0.0794	0.0313	-0.00943	0.0297	0.116
	(-0.963)	**(-2.115)**	(-0.898)	(0.152)	(0.0557)	(-0.0162)	(1.050)	(1.645)
2 Yrs. After	0.538	-0.0992	-0.0137	0.255	0.0307	0.276	0.0762	**0.193****
	(1.535)	(-1.462)	(-0.348)	(0.598)	(0.0732)	(0.668)	(1.054)	**(2.330)**
3 Yrs. After	0.441	-0.136*	0.0263	-5.523	-5.583	-5.404	0.0606	**0.292***
	(1.504)	(-1.859)	(0.573)	(-0.974)	(-1.051)	(-1.011)	(1.442)	**(1.793)**
Size	0.119**	0.0365***	0.0445***	0.193***	0.189***	0.204***	-0.0137***	-0.0571
	(2.165)	(5.622)	(11.27)	(3.913)	(3.721)	(4.028)	(-5.553)	(-0.728)
Tobin's Q	0.00156	0.000282	-0.0484***	-0.197*	-0.225*	-0.206*	0.0149***	-0.0573
	(1.368)	(0.345)	(-213.4)	(-1.670)	(-1.918)	(-1.745)	(2.727)	(-0.748)
Observations	12,395	11,148	11,953	11,681	12,119	12,079	5,034	11,114
R-squared	0.004	0.009	0.872	0.033	0.034	0.034	0.174	0.020

Robust t-statistics in parentheses

*** p<0.01, ** p<0.05, * p<0.1

Appendix 6: Analysis Excluding Firms that were Delisted as a Result of Merger (Cont'd)

Table A.6.4 (Cont'd)

Panel B: Firms with Investors that have Long-term Investment Horizons

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.413*	-0.0305	0.0169	0.178	0.142	0.177	-0.0104	-0.0890
	(1.682)	(-0.773)	(1.626)	(0.799)	(0.645)	(0.787)	(-1.058)	(-0.849)
2 Yrs. Before	0.255	-0.0209	0.00748	0.0948	0.0967	0.0999	-0.0139	-0.0928
	(1.434)	(-0.903)	(0.776)	(0.342)	(0.355)	(0.366)	(-1.634)	(-0.969)
1 Yr. Before	-0.000203	-0.00509	0.00325	-0.0147	-0.0952	-0.0261	-0.000471	-0.0579
	(-0.00132)	(-0.305)	(0.393)	(-0.0261)	(-0.154)	(-0.0453)	(-0.0289)	(-0.611)
Event Year	-0.433	0.0264	0.00357	0.106	0.0482	0.0911	**-0.0221*** **	-0.0504
	(-1.197)	(1.438)	(0.344)	(0.233)	(0.0977)	(0.196)	**(-3.491)**	(-0.758)
1 Yr. After	-0.0636	**0.0403** **	0.0140	**0.805*** **	**0.869*** **	**0.812*** **	**-0.0258**	-0.000760
	(-0.443)	**(2.390)**	(0.336)	**(3.236)**	**(3.312)**	**(3.253)**	**(-1.641)**	(-0.00370)
2 Yrs. After	**0.383** **	**0.0861** **	**0.0834*** **	**0.845*** **	**0.856*** **	**0.866*** **	**-0.0290** **	-0.117
	(2.107)	**(2.195)**	**(4.738)**	**(3.288)**	**(3.193)**	**(3.333)**	**(-2.286)**	(-0.433)
3 Yrs. After	0.365	**0.0733*** **	**0.0558** **	**0.953*** **	**1.155*** **	**0.977*** **	**-0.0430*** **	-0.0651
	(1.488)	**(2.627)**	**(1.989)**	**(2.838)**	**(3.219)**	**(2.925)**	**(-2.719)**	(-0.256)
Size	0.120**	0.0360***	0.0431***	0.211***	0.204***	0.220***	-0.0136***	-0.0591
	(2.260)	(6.206)	(11.97)	(4.917)	(4.706)	(4.955)	(-6.107)	(-0.808)
Tobin's Q	0.00143	0.000316	-0.0484***	-0.179	-0.207*	-0.187	0.0169**	-0.0522
	(1.409)	(0.420)	(-223.9)	(-1.546)	(-1.808)	(-1.614)	(2.575)	(-0.752)
Observations	14,472	13,031	14,000	13,725	14,193	14,148	5,947	13,143
R-squared	0.003	0.008	0.865	0.028	0.028	0.029	0.165	0.018

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Panel C: Firms with Investors that have Long-term Investment Horizons (Alternative Def'n)

VARIABLES	(1) ROE	(2) ROA	(3) EBITDA/Assets	(4) EBITDA/Sales	(5) NI/Sales	(6) OPM	(7) R&D	(8) Cap Ex
3 Yrs. Before	0.0502	0.00528	0.00725	0.0939	0.0731	0.0912	0.00106	-0.0573
	(0.634)	(0.391)	(0.843)	(0.463)	(0.380)	(0.444)	(0.122)	(-0.775)
2 Yrs. Before	-0.0273	-0.0260**	-0.00725	0.0720	0.0219	0.0742	0.00785	-0.0312
	(-0.265)	(-1.966)	(-0.913)	(0.314)	(0.0998)	(0.325)	(0.773)	(-0.629)
1 Yr. Before	-0.126	-0.0172**	-0.0133	-0.973	-1.073	-0.975	0.00265	-0.0237
	(-1.118)	(-2.452)	(-1.558)	(-0.938)	(-0.965)	(-0.940)	(0.373)	(-0.599)
Event Year	-0.245	**-0.0282*** **	**-0.0156** **	**0.376** **	**0.318**	**0.373** **	-0.00379	-0.0576
	(-0.706)	**(-3.427)**	**(-1.838)**	**(1.692)**	**(1.417)**	**(1.682)**	(-0.660)	(-0.934)
1 Yr. After	0.180	-0.0193*	0.00435	**0.511** **	**0.502** **	**0.496** **	0.00411	0.0361
	(0.464)	(-1.902)	(0.248)	**(2.064)**	**(2.068)**	**(1.984)**	(0.345)	(0.328)
2 Yrs. After	0.131	0.0262	0.0115	**0.602** **	**0.540** **	**0.608** **	-0.00212	0.0137
	(0.545)	(1.123)	(0.813)	**(2.457)**	**(2.331)**	**(2.518)**	(-0.198)	(0.269)
3 Yrs. After	0.0956	-0.00563	0.0187	**0.682** **	**0.608** **	**0.640** **	0.00587	0.0772
	(0.855)	(-0.360)	(1.442)	**(2.183)**	**(2.017)**	**(2.089)**	(0.448)	(0.826)
Size	0.0719***	0.0232***	0.0272***	0.248***	0.219***	0.250***	-0.0135***	0.00418
	(3.827)	(10.93)	(11.26)	(4.178)	(4.098)	(4.172)	(-6.929)	(0.162)
Tobin's Q	0.00637	-0.0105	-0.0119	-0.705	-0.734	-0.703	0.0250***	-0.0213
	(0.213)	(-1.292)	(-1.215)	(-1.555)	(-1.567)	(-1.552)	(4.890)	(-0.264)
Observations	10,925	10,068	10,506	10,425	10,844	10,820	5,091	10,065
R-squared	0.014	0.090	0.174	0.028	0.030	0.028	0.357	0.037

Robust t-statistics in parentheses
*** p<0.01, ** p<0.05, * p<0.1