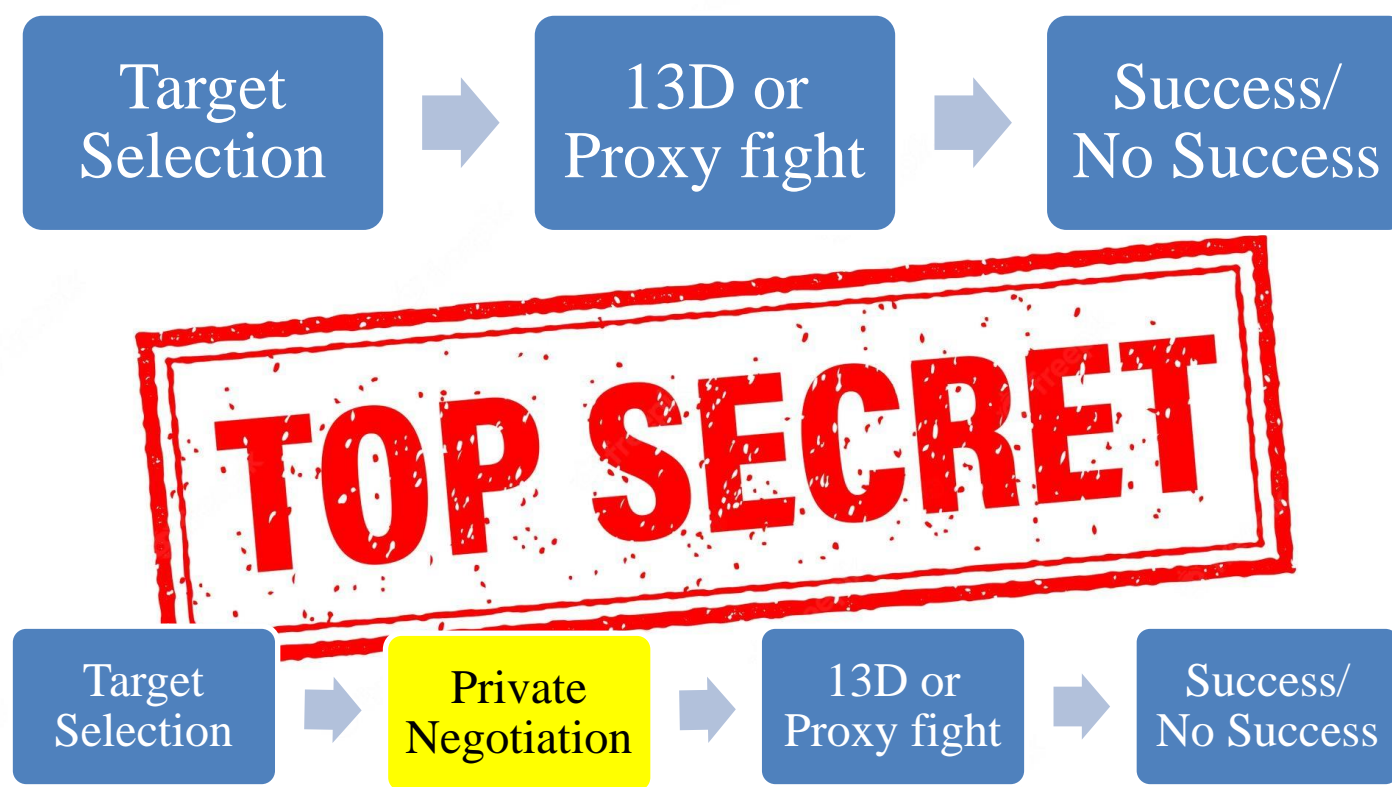


Silent Activism

Tanja Kirmse

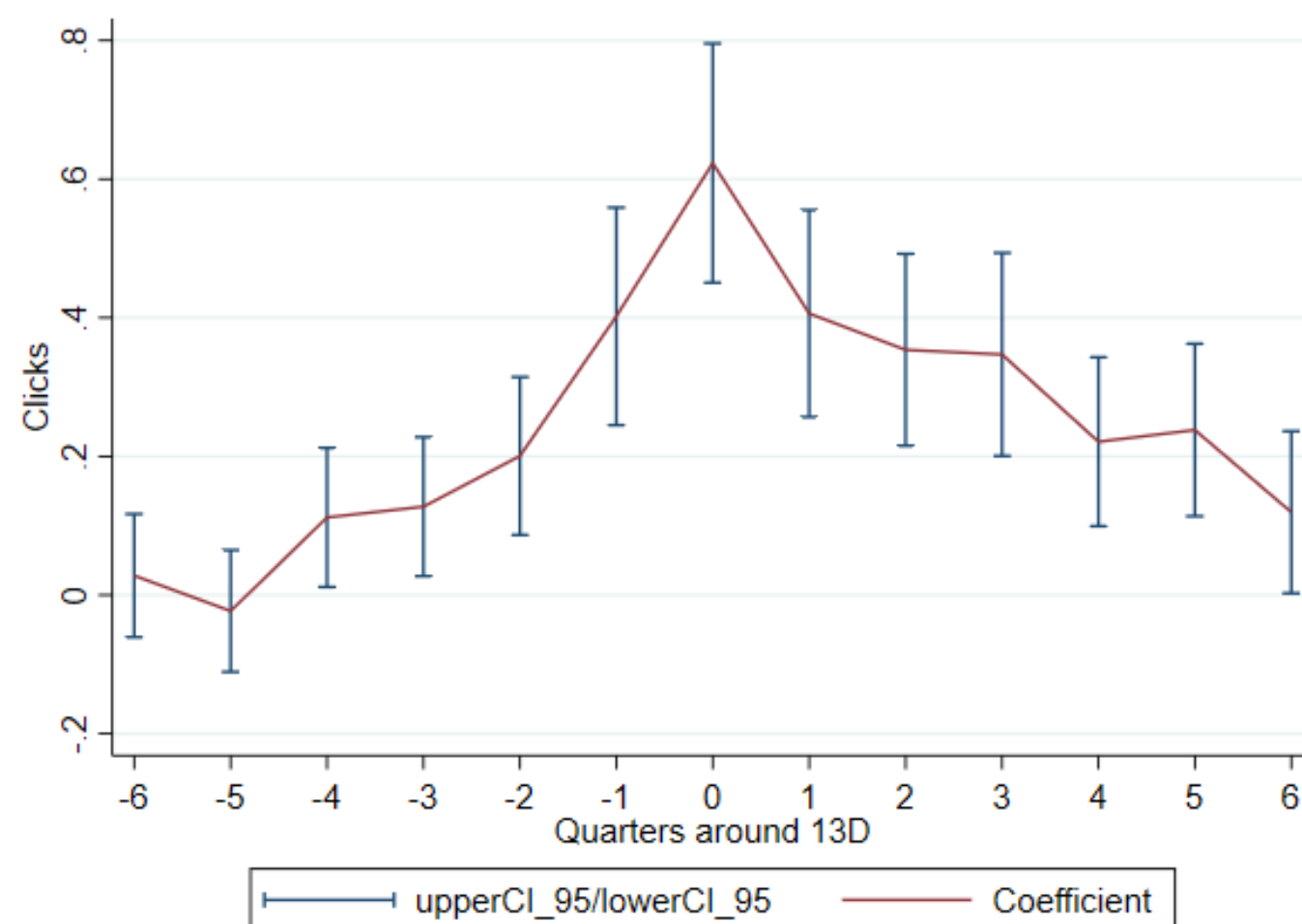
Drexel University

Contribution



Web traffic proxies for private negotiations

ip	date	time	cik	accession
216.38.116.ech	5/11/2012	11:29:29	835729	0001193125-12-224907
216.38.116.ech	5/11/2012	11:29:30	835729	0001193125-12-224907
216.38.116.ech	5/11/2012	19:45:36	835729	0001047469-11-005927
216.38.116.ech	5/11/2012	19:45:37	835729	0001047469-11-005927



Omitted Variables?

- Control for mergers (target / acquirer)
- Control for 13D in industry and at connected firm
- Lower impact when funds are distracted
- No impact when funds are not activists

Clicks predict turnover – even without a 13D!

VARIABLES	(1) Turnover Count _t	(2) Turnover (0/1) _t	(3) CEO turnover _t	(4) CEO turnover _t
Ln(1+HF clicks) _{t-1}	0.005** (0.018)		0.0040*** (0.000)	
Ln(1+Non HF clicks) _{t-1}	0.144*** (0.000)		0.0256*** (0.000)	
HF clicks (100s) _{t-1}		0.037*** (0.000)		0.0217*** (0.000)
Non HF clicks _{t-1}		0.000 (0.662)		0.0000 (0.536)
Pct Shares held by HF	0.123* (0.080)	0.062 (0.151)	0.0454** (0.028)	0.0624*** (0.003)
Constant	-0.712*** (0.000)	0.198*** (0.000)	-0.1044*** (0.000)	0.0753*** (0.000)
Observations	110,871	110,871	110,281	110,281
R-squared	0.102	0.097	0.0559	0.0528
Firm FE	YES	YES	YES	YES
Quarter FE	YES	YES	YES	YES
Cluster	Firm	Firm	Firm	Firm
Controls	YES	YES	YES	YES

Robust pval in parentheses
*** p<0.01, ** p<0.05, * p<0.1

- Clicks precede turnover
- Results not driven by old CEOs / annual meetings
- Mixed results for additions
- Control variables include returns; institutional holdings

How common are private negotiations?

Two methods:

• Cutoff Method

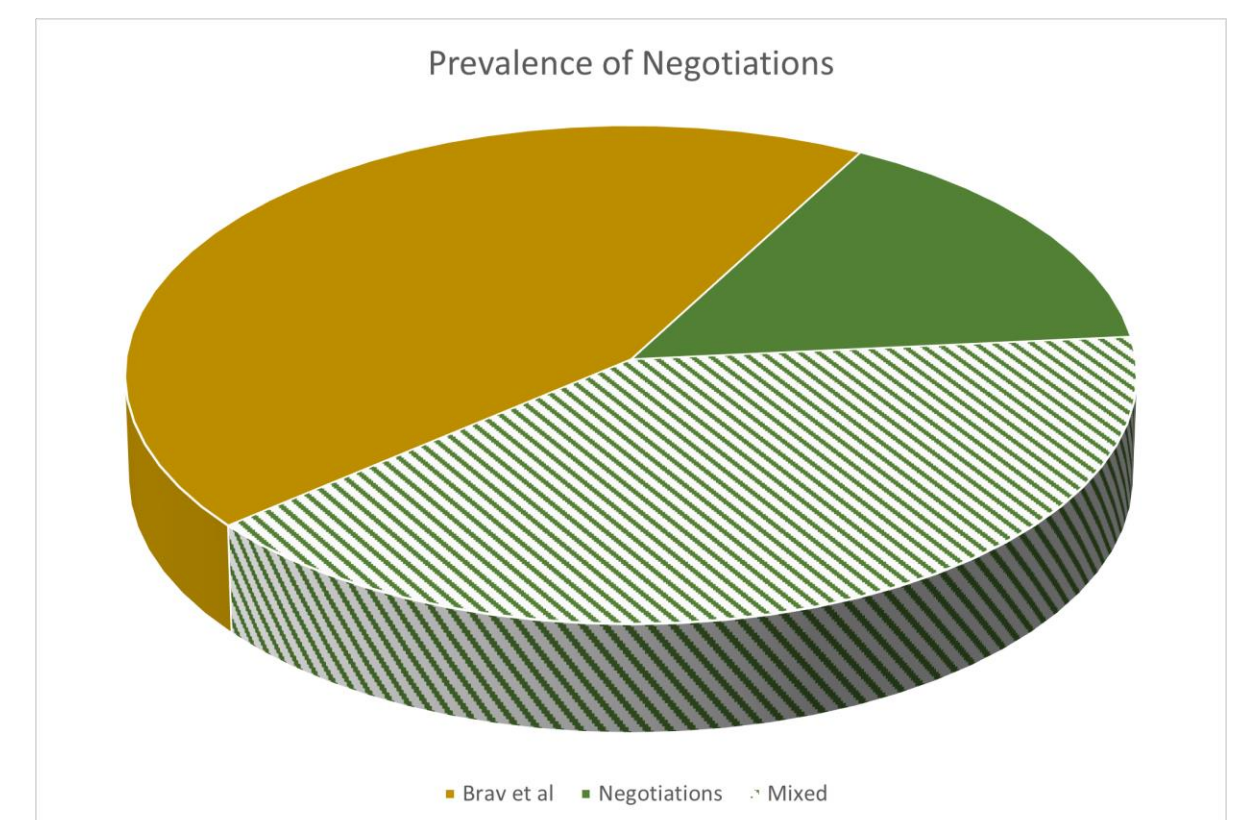
- Economically intuitive
- Somewhat arbitrary cutoff

Negotiations are 1-2% of sample, 4-8 times as common as public activism

• Machine Learning Method

- Guided by data; Non-parametric
- Imperfect training sample

Negotiations are 0.6% of sample, twice as common as public activism



When do funds use private negotiations?

	(1)	(2)	(3)	(4)	(5)	(6)
Classified Board	0.034* (0.018)					
Dual Class Shares		0.055*** (0.019)				
Pct Shares held by CEO			0.197*** (0.061)			
Pct female dirs				-0.091 (0.107)		
Nr outside boardseats					0.058*** (0.017)	
Mean Dir Age						0.000 (0.002)
Year FE	YES	YES	YES	YES	YES	YES
Observations	1,525	1,046	1,132	1,938	1,938	2,473
R ²	0.04	0.03	0.04	0.47	0.48	0.06

- No evidence that certain governance characteristics make private or public strategies more successful
- Firms do not change board or share structure
- Firms DO use poison pills to protect themselves (Eldar, Kirmse, Wittry, WP)