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Investor Activism in Europe

Examining Success Rates and Stock Returns of Activist Campaigns in Europe

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Abstract

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Key Words: Shareholder Activism, Activist campaigns, Campaign characteristics and tactics, Long-term shareholder value, Agency theory, Information Asymmetry

Purpose: Investigate whether activist campaign characteristics and tactics have an impact on the probability of success, and if the campaign objective has an impact on long-term shareholder value in Europe.

Methodology: The method utilized to investigate the research questions includes a logit regression model to analyze the probability of success for activist campaigns and an ordinary least-square (OLS) regression model to examine the impact of campaign objectives on long-term shareholder value. The study uses a sample of 325 activist campaigns in Europe from 2010 to 2023, with data collected from S&P's CapitalIQ and other financial databases.

Theoretical Perspective: The study is grounded in agency theory, which explores the conflicts of interest between managers and shareholders and the role of governance in mitigating these issues. The research also draws on theories related to information asymmetry and the effectiveness of monitoring mechanisms in reducing agency costs. Additionally, it builds on prior empirical research on the subject.

Empirical Foundation: The empirical foundation consists of a detailed dataset of activist campaigns targeting publicly traded firms in Europe. The data includes information on campaign characteristics, tactics, objectives, and outcomes, as well as financial performance metrics of the targeted companies.

Conclusions: The study finds that domestic activism significantly increases the probability of campaign success compared to foreign activism. The results also suggest that while the choice of tactic (friendly or hostile) does not significantly affect success rates, certain campaign objectives, such as environmental and social issues and M&A-related objectives, positively impact long-term shareholder value. In contrast, campaigns focusing on business strategy are associated with negative long-term returns. The findings contribute to a deeper understanding of the dynamics and outcomes of shareholder activism in the European context.

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1. Introduction

1.1 Background

Shareholder activism, the practice of investors purchasing shares in public companies and organizing campaigns to influence corporate actions, is a dynamic phenomenon (Corporate Finance Institute). This process involves engaging with management and boards to implement changes, such as demanding board seats, replacing CEOs, advocating for specific business strategies, initiating mergers and acquisitions, or influencing other significant decisions. The ultimate intent is that these improvements unlock shareholder value and activism serves as the strategy and catalyst to achieve this goal. Activist investing has long been a controversial topic in corporate governance and as these campaigns unfold, they often spark widespread debate (George & Lorsch, 2014). Further, it has evolved from the aggressive takeover tactics of the 1970s and 80s, where corporate raiders sought majority control to restructure companies, to the more engagement-focused strategies of the 1990s. In the past two decades, hedge funds that explicitly specialize in activism have emerged as a new form of activist in the public markets (Brav et al., 2008). While extensively researched, shareholder activism lacks a clear definition. Generally, it involves using shareholder rights to enhance value. Traditional investors, like mutual and pension funds, may become active reactively if issues arise but do not specialize in activism. In contrast, activist hedge funds are proactive, strategically investing in companies they believe will benefit from activism, making it an intentional investment strategy (Amour & Cheffins, 2009).

Shareholder activism has historically been a US phenomenon (Becht et al., 2017), but lately, there has been notable expansion into Europe (Barros et al., 2023). In 2023, a record number of activist campaigns were launched across Europe, even targeting major companies like Nestlé, Airbus, Siemens, BP, and Shell (Skadden, 2024; A&M, 2024). Geographically, the UK, with its long-standing tradition of activist pressure, continues to be a central hub for activism in Europe (A&M, 2024). UK dominating campaigns is in line with our sample (124), followed by Germany (49) second and France (30) third (Table 1, Panel A). The UK's dominance is unsurprising given that it is home to the largest capital market in Europe and its shareholder-friendly governance regulations, which facilitate minority shareholder engagement and enable activists to drive meaningful changes in corporate governance

(Maffett, Nakhmurina & Skinner, 2022). The following countries seem to follow a similar logic with a descending order based on the size of the stock market (Becht et al., 2017).

US activists play a significant role in Europe, accounting for 51% of activities, highlighting the cross-border nature of modern shareholder activism (Barclays Investment Bank, 2024). Unsurprisingly, in our sample, the United States leads with 110 campaigns and the second most dominant country is the United Kingdom (93) (Table 1, Panel B). Again, the large presence of US activists is expected, given that the US is the most dominant market for activism (Becht et al., 2017). Moreover, only 20% of activist funds are outside the English-speaking world (Barros et al., 2023). Indicating that shareholder activists are predominantly concentrated in English-speaking countries with strong capital markets.

The regulatory framework for shareholder activism across Europe demonstrates a high degree of harmonization, which establishes a relatively uniform landscape. There are some nuanced differences, such as disclosure thresholds¹ varying slightly between countries like the UK, Ireland, the Netherlands, and Switzerland at 3%, and Germany and France at 5%. Moreover, the key shareholder rights, such as the ability to requisition a shareholder meeting or propose resolutions at annual general meetings, typically converge around common thresholds, generally set at around 5% across most jurisdictions (CMS, 2017). These variations are relatively minor and, arguably, do not significantly impair comparative analysis or activist strategies at a broader European level. Making it feasible to study activism with a pan-European perspective. Thus, despite some local variations, the substantial harmonization ensures that the differences are not so pronounced as to undermine the broader insights into European shareholder activism.

1.2 Problematization

There is a perception that activists are short-term in their investments and that this negatively impacts the companies they target (George & Lorsch, 2014). Such rhetoric has even been voiced by Warren Buffett, who said: "The bulk of activism just wants a quick hit. They want the stock to go up next week... we run our company for the shareholders who are going to stay and not the ones that are going to leave." (Forbes, 2015). Brav et al. (2008) argue that

¹ the specific levels of ownership at which shareholders are legally required to publicly disclose their stakes in a company

activism is poorly understood and that the debate centers on concerns with discussions often based on anecdotal evidence and lacks support from research. Much of the research on activism emphasizes the short-term implications, such as the immediate announcement effect of activists launching campaigns. The conventional measure of activists' performance is the abnormal return around the public announcement of the activist's stake (Becht et al., 2017). This is valuable because it isolates the implied value creation directly associated with activist interventions. However, it inevitably only reflects short-term impacts, which is arguably flawed. Brav et al (2008) argue that activists are not short-term in focus, as some critics have claimed. The median holding period for completed deals is about one year, calculated as running from the date an activist files it has a significant stake in a target company to the date when the activist no longer holds a significant stake. Consequently, focusing solely on immediate effects, such as announcement returns, when evaluating a long-term strategy like activism, may create a mismatch between short-term measurements and the inherently long-term objectives of activism and further leave the broader understanding of activism incomplete. Moreover, much of the existing research on shareholder activism focuses on the characteristics of the companies targeted by activists, such as industry type, company size, book values, cash flows, and growth prospects (Brav et al., 2008; Klein & Zur, 2009; Becht et al., 2017). However, there is less emphasis, relatively, on examining the specifics of the campaigns themselves and the various elements that influence their outcomes. This includes factors like the tactics employed by activists, the specific demands made, and the nature of the interaction between activists and company management. Expanding research to include these aspects could provide a more comprehensive understanding of what determines the success of an activist campaign. Further, the literature on shareholder activism has naturally focused on the US, as it has historically been the largest and most active market for such interventions (Becht et al., 2017). However, with Europe experiencing a significant rise in the number of activist campaigns, including high-profile targets like Nestlé, Airbus, Siemens, BP, and Shell recently, the relevance of European activism is growing (Skadden, 2024; A&M, 2024). This shift suggests that European markets are becoming increasingly important in the study of shareholder activism, potentially necessitating a broader focus for research.

1.3 Purpose and Research Question

The purpose of this paper is to firstly determine what characteristics of activist campaigns impact the likelihood of success, and secondly investigate how the characteristics of activist

campaigns relate to long-term shareholder returns. By examining a range of objectives and tactics different campaigns have, we aim to uncover the specific factors that most significantly impact their ability to achieve their intended goals and the equity returns associated with them. Therefore, we aim to answer the following research questions:

1. What characteristics and tactics of activist campaigns determine the likelihood of success in Europe?
2. How do the different objectives of activist campaigns relate to long-term shareholder returns in Europe?

1.4 Empirical Findings

Based on a sample of 351 activist campaigns in Europe from 2010 to 2023, this study examines the factors that determine the success of activist campaigns and their impact on long-term shareholder returns. The first research question examining the determinants of campaign success is estimated using a logit regression model. The second research question is examined using an ordinary least-square (OLS) regression which is further deepened by adding interaction terms between the tactic and the objective of the campaign.

The findings suggest that campaigns of domestic activism are more likely to succeed. Among the three studied characteristics (Wolfpack and tactic), it was the only one significantly impacting the probability of success. Regarding campaign objectives, campaigns focused on environmental and social issues and M&A positively impact shareholder value, while strategic objectives negatively affect the one-year returns. Corporate governance objectives showed no significant impact. Finally, when the campaign objective is interacted with the campaign's tactic, there are no moderating effects. Implying that the objective itself is more important than how an activist pursues the campaign.

1.5 Contribution

While many studies have focused primarily on the short-term implications of activist campaigns, this study expands the scope by providing additional insights into how activism influences shareholder returns over an extended period. This broader analysis helps to understand the longer-term effects of activism beyond the immediate announcement effects.

Furthermore, while research has primarily focused on U.S. markets, European campaigns are not as extensively studied. Our analysis contributes to a more comprehensive understanding of shareholder activism globally by shedding light on European markets. Further, contrary to most previous studies, we do not exclusively focus on hedge funds. Moreover, most existing research emphasizes the characteristics of target companies rather than the activists and their campaigns. By focusing on the activists', their tactics, and objectives, this study offers a perspective on the factors that enhance campaign success and creation of shareholder value. From a practical perspective, our findings will be valuable to the broader investment community, but particularly to activist investors seeking effective strategies. Finally, from an academic perspective, this study will uncover new paths for future research on activist campaigns and their impact on corporate governance and financial returns, which will be explored further in the conclusion section.

1.6 Outline

This paper is structured as follows. In section 2 we explore the theoretical background of the concepts in our study while in section 3, we conduct a literature review. In section 4 we formulate our hypotheses and in section 5 we describe the data and conduct a univariate analysis. Subsequently, we outline and discuss our methodology in section 6. In section 7, our empirical findings are presented and discussed followed by an evaluation of robustness. Finally, section 8 concludes the paper and discusses its limitations.

2. Theoretical Background

2.1 Agency Problem

The relationship between managers and owners, known as the principal-agent relationship, embodies the agency problem, a concept rooted in the separation of ownership and control. This separation leads to a dominant role for management, as increasing numbers of diverse shareholders result in decreasing ownership concentration. This separation creates conflicts of interest, as managers may prioritize personal benefit over shareholder value (Berle & Means, 1932). Moreover, publicly traded corporations may suffer from agency costs. These agency costs are commonly described as indirect costs as a result of these potential conflicts of interest between managers and investors. To mitigate such agent problems, shareholders need to monitor management. Additionally, while monitoring can reduce agency problems and enhance firm value, it incurs costs (Jensen & Meckling, 1976). Despite the challenges posed by the agency problem, delegating responsibility to agents is essential, enabling investors to manage multiple investments effectively. Governance plays a crucial role in addressing this problem, with oversight from the board and alignment of interests between management and shareholders being pivotal (Jensen & Murphy, 1990).

2.1.2 Agency Problem and Activism

While there is a growing presence of diverse activists in the public investment landscape, the majority of activist investing is still dominated by hedge funds (Swanson et al., 2022). Activist hedge funds are uniquely positioned to mitigate agency problems due to their extensive resources, which help them navigate the typically high costs of monitoring. Their flexibility, strong incentives, and independence empower them to identify and address governance issues effectively. Equipped with significant financial and informational resources, they can monitor multiple companies simultaneously. Their ability to cooperate with management, secure support from other shareholders, and make strategic, smaller investments ensures that the benefits of their activism outweigh the monitoring costs. The returns they generate through their interventions often surpass these expenses, justifying their involvement and helping reduce the agency problems arising from the separation of ownership and control (Brav et al., 2008). Moreover, different shareholder types uniquely shape the agent-principal relationship. Large shareholder activism is motivated by the need

for external governance monitoring, balancing governance costs with benefits. Tighter oversight by concentrated shareholder blocks and institutional shareholders mitigates agents' tendencies to act against shareholder interests, reinforcing good governance practices (Barros et al., 2023).

2.2 Information Asymmetry

Generally, information asymmetry refers to when two parties in a transaction have different levels of information, causing one party to have an advantage over the other. This situation is described by Akerlof (1970) where the author introduces the term adverse selection. In essence, the paper uses an example of a used car market. The sellers have an information advantage compared to the less informed buyers, causing the less informed buyers to buy bad cars (“lemons”) at good prices. To mitigate this problem it incurs costs such as monitoring costs (Jensen & Meckling, 1976). These monitoring costs are part of the broader category of agency costs which have an impact on shareholder value as they represent capital that could have been allocated more efficiently.

2.2.1 Information Asymmetry and Activism

In the context of activism, the issues regarding information asymmetry and adverse selection have been seen in the literature. On the one hand, Barros et al (2023) found a reduction in the information asymmetry for the target companies. In other words, introducing an activist reduced the information asymmetry which in turn could contribute to long-term shareholder value. On the other hand, information asymmetry is also present in the form of adverse selection. The characteristics of the target companies are in some cases proof of “lemons” which incur costs for the activists. It has been suggested the target companies are low growth with a lagging stock performance (Brav et al., 2008)). On the contrary, (deHaan et al., 2019) find that target companies of activists are in a positive state, already showing signs of sustainable improvement.

3. Literature Review

3.1 Success rates and returns

Activists achieve their campaign objectives in approximately two-thirds of cases, demonstrating a high rate of success (Klein & Zur, 2009; Brav et al., 2008). Brav et al. (2008) attribute their high success rate partly to Institutional Shareholder Services (ISS), a third-party advisory catering to institutional investors, recommending voting in favor of activists in most cases. Possibly, this might indicate that ISS views activists' demands as frequently aligning with the broader interests of institutional investors. This support from ISS might suggest that activist campaign objectives are recognized as beneficial for the long-term interests of a company and its shareholders. Additionally, it demonstrates that ISS's backing can help activists gain credibility and influence in persuading other shareholders to support their objectives.

Previous research demonstrates that activist hedge funds often generate abnormal returns in the stock of their target companies (Becht et al., 2017; Brav et al., 2008; Greenwood & Schor, 2009; Klein & Zur, 2009; Swanson et al., 2022). In contrast, when institutional investors like mutual funds and pension funds engage in activist strategies, they often fail to secure significant benefits for shareholders (Brav et al., 2008). The conventional measure of activists' performance is the abnormal return around the public announcement of the activist's stake (Becht et al., 2017). Studies such as Becht et al. (2017) and Brav et al. (2008) report that abnormal announcement returns are about 7.0% in the United States, with Asia and Europe experiencing slightly lower returns of 6.4% and 4.8% respectively. These findings align with those of Klein & Zur (2009), who noted a 10.2% abnormal return during the announcement period, whereas Swanson et al. (2022) reported a lower 5% return. Greenwood & Schor (2009) highlight that, following an announcement, returns can increase significantly over time, up to 25.85% over 18 months, suggesting that markets initially underreact to activism. Further supporting the idea of sustained impacts, Klein & Zur (2009) found that returns do not fade in the year following the initial 13D filings, with an 11.4% abnormal return recorded. Swanson et al. (2022) extend this finding, showing long-term cumulative abnormal returns of up to 14.57% over three years. These studies collectively challenge the view that activism only yields short-term gains, instead suggesting that such interventions can enhance long-term shareholder value.

3.2 Campaign Characteristics

3.2.1 Wolf packing

In their 2008 study, Brav et al. examine the phenomenon of "wolf packing," where multiple, non-affiliated hedge funds collaborate to file as a single entity during activist campaigns. The term "wolf pack" is an analogy to wolves attacking prey in a group. This strategy significantly affects the nature of their interventions, with these collective groups more inclined to adopt aggressive, often hostile tactics. The study highlights the strategic advantages of such alliances, emphasizing how these collaborations, termed wolf packing, enhance the assertiveness and effectiveness of shareholder activism. Wolf packs are associated with some of the highest returns (Becht et al., 2017).

3.2.2 Nationality

Another area of research in shareholder activism focuses on the nationality of the activists, particularly comparing foreign and domestic activism. Studies examine the impact of activists and their target companies originating from the same or different countries, considering how cultural, regulatory, and market environment differences might influence campaign strategies and outcomes. Becht et al. (2017) conclude that most activists primarily focus on domestic targets and also suggest that domestic activism tends to outperform foreign activism, especially in terms of short-term returns around the announcement. Our sample consists of approximately 70% foreign activists, with about half of them being American (see Table 1, Panel B).

3.3 Campaign Tactics

Within campaigns, activists employ a spectrum of tactics to achieve their objectives, ranging from friendly engagement to more hostile actions. On the friendly end of the spectrum, activists may engage in constructive dialogue with management, proposing collaborative solutions such as operational improvements or financial restructuring. These approaches are often preferred when there is mutual agreement on the potential for value creation. Conversely, at the more hostile end, tactics can escalate to public confrontations, including proxy battles, public criticism of management practices, or campaigns to rally other shareholders against current management policies. Each tactic, whether friendly or hostile, is

strategically selected based on its likelihood to influence company policies and practices effectively. Further, these tactics range in their level of hostility, the actual extent of hostility among hedge fund activists is not as pronounced as often claimed. This suggests a nuanced engagement where the level of aggression is calibrated to optimize market reaction and campaign outcomes. The choice between these tactics reflects a calculated decision, with more aggressive approaches like proxy contests being employed when resistance from management is anticipated to be high and the potential benefits of activism outweigh the greater costs involved (Brav et al., 2008).

3.4 Campaign Objectives

3.4.1 Mergers and Acquisitions (M&A)

One explanation offered in the literature for the high returns observed in activist target companies is their association with M&A activities, such as divestments, sales or opposition to sales, spinoffs, or hostile acquisitions. Greenwood & Schor (2009) concluded that activist targets earn high returns primarily when they are ultimately taken over. In contrast, most targets that aren't acquired tend to experience average abnormal returns that are statistically insignificant. This pattern is consistent not only in the announcement returns but also in the long-term returns. As a result, returns linked to activism largely stem from activists pushing target firms into takeovers and thus securing a takeover premium. This is also in line with Becht et al.' (2017) findings.

3.4.2 Business Strategy

Activism targeting the strategy of the firm involves several approaches aimed at steering the company toward alternative strategic goals (Klein & Zur, 2009). These include improving operational efficiency, cost-cutting, alterations to the product line, addressing lack of business focus or excessive diversification through refocusing efforts; and proposing growth strategies for the target company. This type of activism is associated with a significant abnormal return of 5.95%, indicating that strategic interventions by activists can create substantial value for shareholders (Brav et al., 2008).

3.4.3 Corporate Governance

Activism targeting firm governance is a significant aspect studied within the broader field of corporate governance and shareholder activism. Governance-related activism focuses on achieving board representation or control and enhancing shareholder rights without fundamentally altering the firm's business. Activism involving board control incurs monitoring costs and generally results in negligible abnormal returns. However, governance-related proposals can reduce earnings management, although their overall effect on performance remains unclear (Barros et al. 2023). Brav et al. (2008) find that governance-related activism, including efforts to enhance board independence, oust CEOs, rescind takeover defenses, and curtail CEO compensation, does not elicit statistically significant market reactions. This suggests that while governance reforms are not major value drivers on their own, the lack of significant abnormal returns indicates that such governance-related changes alone may not be sufficient to create substantial value, highlighting the market's preference for more strategic and operational interventions.

3.4.4 Environment, Social and Governance Concerns

Activist shareholders are increasingly driven by environmental, social, and governance (ESG) concerns. This activism is characterized by a focus on issues such as climate change, human rights, and employee welfare, compelling firms to adopt more sustainable practices (A&M, 2024). Also, regulators in the US have shifted their focus to emphasize the social policy significance of shareholder proposals. This trend suggests that the new regulatory policies are encouraging more activism related to social issues (Winegarden, 2022). Shareholders are using their influence to address these issues, which, in turn, helps protect the long-term reputation of firms. However, although activists engage with issues like ESG, they assess such endeavors through the lens of their potential impact on financial returns. Another perspective is that activists may view corporate social responsibility as wasteful actions that limit shareholder value (Barros et al., 2023). This aligns with Winegarden's (2022) argument that ESG investing is a politically motivated and wasteful effort that disadvantages other shareholders.

4. Hypothesis Development

Much of the research within activism has focused on the U.S. market with emphasis put on the target companies. It involves their characteristics, what changes activists implement, and how this relates to e.g., short-term shareholder returns or more operational performance e.g., ROA or ROE. However, beyond these aspects, little is known about if and how the characteristics of the activists impact the outcome of the campaign, especially in a European context.

Activist engagement can take on different forms in terms of the identity of the activist, their nationality, if there is a wolfpack or a single activist, and how they choose to pursue the campaign in terms of tactics. However, the impact of these characteristics and tactics on the likelihood of campaign success has not been as extensively researched. Therefore we formulate our first hypothesis as follows:

Hypothesis 1: The characteristics and tactics of the activists in the campaign determine the likelihood of success of the campaign.

Beginning with the first characteristic, Wolfpack, in other words when multiple activists target the same company simultaneously, the research has primarily focused on its impact on short-term returns. While it has been found that it leads to higher returns in the U.S. market (Becht et al., 2017; Brav et al., 2008) it has not been examined as a determinant for campaign success. There is a possibility that multiple activists, if well coordinated, can gain more influence in terms of ownership stake. This larger ownership stake can lead to issues regarding the separation of ownership and control (Berle & Means, 1932), potentially lowering the probability of success if management diverges from the activists' objective. However, viewed through the lens of monitoring and agency costs theory, as proposed by Jensen & Meckling (1976), these coordinated activists can act as a blockholder. In this role, they may more efficiently monitor management, potentially enhancing the chances of achieving their objectives. However, independent of the direction, there is reason to believe that the characteristic Wolfpack should be a determinant of campaign success, and the following null-hypothesis is formulated:

H1(1): Campaigns with Wolfpack activists, do not determine the campaign's success rate.

If both the activist and the target company are based in the same country, announcement effects tend to be higher than when they are from different countries (Becht et al., 2017). To the best of our knowledge, these authors are the first to examine domestic vs. foreign activism, but again, it has not been examined if it is a determinant of campaign success and not in a European context. The theoretical explanations for why domestic activism outperforms foreign could be cultural- and regulatory differences as well as different market environments. These explanations should arguably also hold for campaign success, not only returns, as campaign success is dependent on the cooperation between the activist and the target company. Drawing on the theory of information asymmetry, it is likely that the information is more balanced when the two parties operate in the same country which would decrease the associated costs (Akerlof, 1970). Therefore it is likely that nationality has an impact on the success rate of the campaign, thus, we formulate the next null hypothesis as follows:

H1(2): Campaigns where the activist and the target have the same nationality, do not determine the campaign's success rate.

Another mechanism defined in the literature is the tactic of the campaign. The tactics range from friendly tactics with open communication with management to more hostile tactics, like proxy fights or litigation. A majority of successful campaigns in the U.S. are associated with a friendly tactic (Brav et al., 2008; Klein & Zur, 2009) despite the common perception that activists are more often hostile. However, to our knowledge, there are no studies in Europe that examine this relationship. Drawing on the framework proposed by Jensen & Meckling (1976), there is reason to believe that the tactic impacts the outcome, which could explain the results in the U.S. and possibly also in Europe. The choice of tactic could affect the degree of cooperation and trust between the management and owners, suggesting that the choice is an important factor for campaign success. Hence, we formulate the null hypothesis as follows:

H1(3): The campaign's tactic, does not determine the campaign's success rate.

Turning to our second research question, the literature is mainly focused on short-term performance in the U.S. market (Brav et al., 2008; Clifford, 2008; Greenwood & Schor, 2009;

Klein & Zur, 2009; Swanson et al., 2022). The studies, consistently found positive abnormal returns around the announcement date, however, very few have focused on the long-term effects, and not in a European context. Additionally, when looking at a longer time horizon, the return has been calculated as the cumulative abnormal return, which includes the positive return around the announcement date. Therefore we measure the one-year abnormal return, in order to exclude the possible positive bias from the announcement date. While the abnormal returns are consistent among activist campaigns in general, focusing on the impact caused by specific objectives is rather scarce. Barros et al (2023), studied the objectives' impact on the performance, however, measured as the company's operational performance. In this US context, there were certain objectives that affected firm performance, and there could be a connection to shareholder returns as well. By expanding on the research and looking at long-term shareholder value created in Europe, we formulate our second hypothesis as follows:

H2: The objective of the campaign influences the shareholder value created in the long term.

Campaigns targeting changes in the business strategy of the target company have been suggested to potentially destroy value (Barros et al., 2023; Brav et al., 2008), while others found a positive return in the long term (Greenwood & Schor, 2009). The discrepancy in the results, although all studies are based on the U.S. market, indicates that there should be an impact of campaigns aiming at changing the business strategy. Whether the impact is positive or negative could be explained by agency costs. On the one hand, if interests are not aligned, the implementation of the activists' strategy might not be welcomed, in turn causing the company to incur agency costs that destroy value (Jensen & Meckling, 1976). On the contrary, activists have been said to overperform such agency costs, potentially explaining why some business strategy campaigns generate high returns (Barros et al., 2023). Regardless of the direction, empirical research and theory indicate that business strategy campaigns might impact the shareholder value created in the long term. Hence we formulate the following null-hypothesis:

H2(1): Campaigns with an objective related to business strategy do not affect the long-term shareholder value created.

Turning to objectives regarding corporate governance, this is directly related to agency theory as it tries to solve the separation of ownership which can lead to managers prioritizing personal benefit over shareholder value (Berle & Means, 1932). If this is true, the long-term impact of targeting corporate governance issues, successfully or unsuccessfully, should be reflected in the long-term shareholder value. It can be argued that activists can act as a monitoring mechanism, which could impact the costs associated with the agency problem and information asymmetry (Jensen & Meckling, 1976). Moreover, most studies focus on the short-term and found mixed or no significant results (Barros et al., 2023; Brav et al., 2008). Therefore, it could be an indication that governance-related changes need time to achieve an impact on shareholder value. Thus, we formulate the following null-hypothesis:

H2(2): Campaigns with an objective related to Corporate Governance do not affect the long-term shareholder value created.

Moving to objectives related to mergers and acquisitions (M&A), the long-term perspective is again not as extensively studied as the short-term (Brav et al., 2008). There is, however, evidence that objectives related to M&A tend to achieve higher returns in the U.S. market even in the longer term (Greenwood & Schor, 2009). In addition, Barros et al. (2023) also found an impact on the firm's operational performance further indicating that there is a positive relationship between M&A objectives and performance. All prior evidence is based on the U.S. market, and therefore we could expect the same results in a European context as it is supported by theory. Since activists serve as a monitoring mechanism (Swanson et al., 2022), depending on how well the monitoring works, it should impact the value generated from the campaign. Also, the presence of information asymmetry could impact the possibility of identifying these companies which adds further support of an impact when pursuing this objective (Akerlof, 1970; Jensen & Meckling, 1976). In light of this, we formulate the following null hypothesis:

H2(3): Campaigns with an objective related to M&A do not affect the shareholder value created.

Lastly, we look into objectives concerning environmental and social issues. To the best of our knowledge, the only study to capture these campaigns is by Barros et al (2023), yet, there was no investigation on the potential impact on firm performance or shareholder value. However, considering the long-term perspective of environmental issues beyond the scope of the

corporate world, if there is an impact, it is arguably shown in the longer term. Also, even if no connection between the return and environmental & social has been researched before, the primary goal of any activist is to achieve great returns (Brav et al., 2008). Therefore, the null hypothesis for this objective is formulated as follows:

H2(4): Campaigns with an objective related to the environment and social issues do not affect the shareholder value created

Further, we dive deeper into our second research question by expanding on the literature and the theory around the tactics of the campaign. Brav et al. (2008), one of few studies diving into the tactics, observe a great variability in the tactics employed by activists. In addition, as many activists are hedge funds, they are not bound by any regulatory barriers and can freely change tactics if they believe it is appropriate. In addition, Klein & Zur (2009) found that friendly tactics constitute a majority of successful campaigns, thus, there is reason to believe that the choice of tactic may also impact the success in terms of returns when interacting with the objective. Drawing on agency theory, aligned interests, and effective management are crucial to not incur agency costs (Jensen & Murphy, 1990), which the right tactic could potentially achieve. In light of this, the null hypothesis, deepening our understanding of the second research question, is formulated as follows:

H3: The objective of the campaign influences the shareholder value created and is moderated by the choice of tactic

5. Data and Sample Description

5.1 Data Collection

We have collected data from various providers to investigate the characteristics and objectives of activist campaigns. Information on these campaigns was retrieved from S&P's CapitalIQ, including announcement and end dates, the activist leading the campaign, the targeted company, the campaign's objective, the tactics employed, and the outcome (successful or unsuccessful). Our dataset was constructed by filtering all recorded campaigns targeting firms headquartered in Europe that are or have been publicly traded. This yielded a sample of 236 target firms and 351 campaigns spanning from 2010 to 2023, consistent with the scope of activist engagement in Europe documented by Becht et al. (2017). The chosen time frame allows us to analyze a new set of campaigns while aligning with periods used in previous studies.

Accounting data on the target companies was collected from Orbis, a database offered by Moody's. We obtained data on total assets, debt, equity, and net income for the target companies. In the case where the data was missing, i.e., not found in the Orbis database, it was manually extracted from the respective company's annual report. The final part of the data collection process involved acquiring the stock performance data for the target companies. Daily stock prices, including both opening and closing prices, were extracted from Yahoo Finance for each company within our sample. Specifically, the opening stock price on the day of the campaign announcement served as the reference point for calculating the 1-year return. The closing price corresponding to each designated period was used to achieve the returns. Lastly, price data for the broad European market index Stoxx600 was collected from Yahoo Finance. The 1-year return was calculated in the same way described above for every specific campaign date in the data set. With some missing data, our final sample consists of 325 activist campaigns.

5.2 Descriptions of the Tactics in the Activist Campaigns

The tactic of the activist is displayed in CapitalIQ which can be divided into two main categories: Friendly and hostile. The tactic of the activist refers to the methods they plan to use to achieve their stated objective. Classifying all different tactics into two groups is consistent with Brav et al. (2008) and our classification has followed the logic of the author.

Friendly tactics involve what CapitalIQ identifies as “Non-confrontational communication” as well as voting on a regular board meeting. It can be in the form of a simple announcement, which is stated in the campaign and excludes any form of threat or hostile behavior. According to the summaries of the campaigns, this friendly communication lies on the foundation that the target and the activist have the same objectives and are in agreement. Another friendly tactic is what CapitalIQ identifies as a shareholder proposal. On the other end of the spectrum is the hostile tactics. First, the tactic “Threat” involves, among others, a “threat to launch a proxy fight” or “threat to launch a lawsuit”. This tactic is defined as hostile. In addition, some tactics involve the activist making a tender offer or going into a proxy fight to increase its share and thereby try to achieve the objective. Similarly, public activist campaigns opposing the company's stance and voting against decisions that are otherwise consensus-driven are categorized as hostile tactics. Finally, choosing legal proceedings is deemed a hostile tactic in activist engagements.

5.3 Descriptions of the Objectives of the Activist Campaigns

CapitalIQ displays objectives for each campaign. The main objectives are Corporate governance, M&A-related, business strategy, and environmental and social issues. The following section describes what sub-categories that are included in the respective objective that is used in Model 2.

5.3.1 Corporate Governance

Corporate governance includes multiple campaign objectives, among which board-related activities are a common objective. These activities include the objective to replace the chief executive officer (CEO) or other board members, as well as appointing new board members. All of these are therefore categorized with the variable Corporate Governance. In addition to board-related objectives, there are activist campaigns concerning the compensation of the executives which is also categorized under corporate governance.

5.3.2 M&A Related

M&A-related campaigns are strategic initiatives aimed at facilitating a significant corporate transaction for the target company. The campaigns involve actions such as corporate divestitures, complete sale of the company, spin-off, or preparations for mergers. All of these objectives share the same characteristic of changing the company structure, partly or in full,

through a transaction. Therefore, we categorize all of the above mentioned objectives as M&A related.

5.3.3 Business Strategy

Campaigns where the objective is related to business strategy, include those who aim to change the direction of the company in terms of operations. It involves voting for or against a business decision e.g., voting against a prevailing tender offer. Also, activities that are related to a restructuring of the company or when the activist wants to implement changes that engage the management to increase the profitability. Lastly, when the activist believes that the company is undervalued and wants to change direction in order to unlock that potential value. According to CapitalIQ, this type of action is characterized as "maximizing shareholder value," which may involve supporting existing strategic initiatives or advocating for a shift in the company's direction.

5.3.4 Environmental and Social

Campaign objectives related to environmental and social issues are described as a stand-alone category in CapitalIQ. Despite the potential rationale for pooling these objectives with those related to corporate governance or strategy, environmental & social concerns have grown to be an important category by themselves.

5.5 Sample Description

In Table 2 the industries of the target companies are displayed. Industrial companies stand for the greatest representation in our sample (48), with Financials (42) and Energy (41) in second and third respectively. The fairly evenly distributed industry representation may suggest that the activists do not actively target a particular industry. Rather other firm-specific characteristics, such as profitability or size, determine what companies to target (Brav et al., 2008).

Table 3 presents a breakdown of the different objectives, before dividing them into groups. Important to note is that the number of observed campaign objectives is larger than our sample of 325. The reason is that one campaign can have more than one objective. It can for example be that the objective is to replace one board member and focus on a particular strategic direction. In such cases, the objectives would be corporate governance and strategy.

Nevertheless, the most common objective is Replace Board (151) followed by Strategy (128) and Environmental and Social (31). The rest of the objectives are in relation weakly represented which is why they are grouped with the logic described in the above section.

Generally, our sample is in line with what is expected in the European market during ten years (Becht et al., 2017). The characteristics of the market being dominated by firms from the United Kingdom and the activists being from the United States are in line with what is expected given their current market position. With that in mind, we believe that our sample is a fair representation of the European market of activism during a ten-year period. Additionally, as this paper investigates campaign-specific characteristics and their objectives, it requires more detailed data. Hence, we argue that our sample should be considered as comprehensive enough.

5.6 Univariate Analysis

The first part of the econometric analysis is to analyze the sample by examining the summary statistics of the total sample and all variables included in the models. The variable definitions are found in Table 1, Appendix. This serves as a first step in analyzing our formulated hypotheses. The focus is on the characteristics of the campaigns, as well as the objectives, launched in Europe during our testing period. The summary statistics are then divided into subgroups based on whether the campaign was successful or not. Subsequently, an analysis of the concerned variables is conducted to achieve nuances between the successful and unsuccessful campaigns. Lastly, a correlation matrix is analyzed to gain insights into the relationships between the explanatory variables in the model and to investigate whether there are any multicollinearity issues.

Beginning with Table 4 which presents the summary statistics of all the variables included in the regressions. The dependent variable in Model 1, Success/Settled, is a dummy variable and Table 4 shows that 68.9% of the sample are successful campaigns. In other words, consistent with previous studies, a majority of the activist campaigns during the study's period have been successful or reached a settlement where both parties are in agreement (Brav et al., 2008). Turning to the dependent variable in Model 2, the abnormal return, the mean of -5.3% suggests a 1-year negative performance for the average targeted firm. Comparing it to the median in the sample, it suggests that it is fairly evenly distributed as it is close to -5.9%. The

minimum and the maximum values show a fairly high degree of variability which should not be taken as a surprise considering the volatility in individual stock returns. At first glance, these results might seem contradictory to previous abnormal returns (Greenwood & Schor, 2009; Klein & Zur, 2009; Swanson et al., 2022). However, all these studies were conducted on the US market, and the calculations are more exposed to the announcement effect which is well-established to be positive (Becht et al., 2017; Brav et al., 2008).

Bringing attention to the characteristics of the campaigns, the summary statistics show that 56.9% of the campaigns engage in a friendly way, conversely, 43.1% use a hostile tactic. The economically small difference between the choice of tactic, friendly and hostile, is in line with what has previously been observed (Brav et al., 2008). Furthermore, Table 4 shows that in 30,5% of the cases, the activist and the target company have their headquarters in the same country. Considering that almost a third of the sample consists of US activists, the proportion of campaigns with the same nationality points in the direction that European activists often target companies in the same country. Moving to the variable *Wolfpack*, 22.8% of the campaigns are launched by multiple activists. Comparing it to Becht et al. (2017) who found that approximately one-quarter of the sample were *Wolfpack* activists, the proportion in the European market seems to be similar, although lower. Moreover, looking at the explanatory variables in Model 2, we observe that the sample is dominated by campaigns whose objective is related to Corporate Governance (49.5%) or Business strategy (43.1%). M&A-related and Environmental & Social campaigns constitute 16% and 8.6% respectively. While most prior studies have not categorized all objectives that an activist campaign can have, the dominance of Corporate Governance and Business Strategy has been documented as the main objectives in previous literature (Barros et al., 2023).

Lastly, looking at the control variables (all winsorized at the 1st and 99th percentile), the mean size of the target company, measured in total assets, is mEUR 111'273 and the standard deviation is mEUR 350' 720. The large standard deviation points towards a very dispersed sample, skewed towards the right tale, which becomes evident considering the large difference between the minimum and the maximum. However, it is not alarming considering that the sample includes several industries which by nature are of different sizes. The third largest industry is financials, in which firms tend to have considerably large total assets. Looking at the sample median (mEUR 7'035) it provides for a more reasonable picture of our sample. Further, in the regressions, size is in logarithmic terms which makes the variable

more evenly distributed. Regarding ROE (return on equity) there is again a great variability in the variable. A mean of -4.95% and a median of 5.6% suggests a large dispersion where the average company is unprofitable. Looking at the minimum and maximum, there are clear outliers, however, it is consistent with previous literature (Barros et al., 2023) Economically, it makes sense that companies in a bad state may be subject to activist campaigns. The reason is that the activists want to turn around the target company to extract benefits and therefore target unprofitable companies (Becht et al., 2017). However, this contradicts Brav et al. (2008) who found that the target companies were profitable in the United States. Further, the mean debt-to-equity ratio is 1.300x and the median is 0.487x which again suggests a heterogeneous sample. The minimum value is negative which is rare, but still possible and the maximum is 21.030x. Comparing it to a previous study made on the US market, the mean leverage is similar (0.720x).

Further, the sample is divided into two groups depending on whether the campaign was successful or not, where the differences in means are also shown in Table 4. This provides insight into whether the first hypotheses can be rejected and a basis for a more granular analysis. Bringing attention to the characteristics of the campaigns the results are similar for the two groups. However, for the variable SameNationality, Table 4 gives an indication for rejecting H1(1). The test in differences in means is significant at the 5% threshold. Moreover, Table 4, indicates that friendly campaigns are more common for the successful group (the difference in mean is negative), however, insignificant. Lastly, for the variable Wolfpack, there is again a similar population in both groups and no significant differences in means.

Regarding the control variables, in other words, the financial figures for the target company, there is a significant difference in ROE for the two groups. Target companies where the campaign turns out to be successful tend to be more profitable, although they still have negative ROE. This could indicate that the driver of the success of the campaign is not necessarily the interventions made by the activist, but rather the current state of the company regarding profitability (Brav et al., 2008). The two other control variables, size, and debt-to-equity, show no significant difference.

5.7 Pairwise Correlation Analysis

Table 5 shows the pairwise correlations between all variables included in the models. Aside from enabling an analysis of the relationship between the variables, it gives an indication of any potential multicollinearity. Starting with the dependent variable, Success or Settled (in Model 1), there are significant correlations, however, in magnitude they are low. Corporate Governance has 0.187, which is low but as it is significant it suggests that it has great explanatory power in the model. The other objectives have a lower correlation with the dependent variable Success or Settled. Regarding the characteristics, Same Nationality and ROE are both positively correlated with a successful campaign at the 5% threshold (0.141 and 0.113 respectively).

Moving on to the second dependent variable, Abnormal return (in Model 2), there are again significant but low correlations. Environmental & Social and Business strategy objectives see a significant positive and negative correlation, 0.103 and -0.109 respectively. This suggests that campaigns targeting environmental- or social issues are positively correlated with returns, and business strategy campaigns are instead related to lower returns. In addition, the correlation matrix suggests that a higher debt-to-equity ratio is low but significantly positively related to returns (0.148) which can be expected.

Looking at the variable hostility (equal to 1 if friendly) we observe that the friendly tactic is significantly correlated with Environmental & Social (0.267), Business Strategy (0.129), and Corporate Governance (-0.232). Hence, friendly tactics seem to be associated with Environmental & Social objectives and strategies, while Corporate Governance objectives are being pursued more hostile. Bringing attention to other notable correlations, the highest correlation with statistical significance is found between the size of the target company and the debt-to-equity ratio (0.471), which is expected economically.

Overall, considering the pairwise correlations from an econometric perspective, most of the correlations can be considered moderate or low. The higher correlated variables are in line with what can be expected and make sense from an economic perspective. Consequently, the model has weak support for multicollinearity, and in the case of high collinearity between some variables, they are dropped from the regression.

6. Methodology & Econometric Framework

6.1 Model 1

The dataset constructed to analyze our hypothesis is structured as cross-sectional data. Model 1 is estimated using a logit regression as the dependent variable is dichotomous. The probit regression model could also be an alternative, but we choose the logit model as it accounts better for outliers and therefore yields more robust results. Model 1 is denoted in the following way:

$$\begin{aligned} \text{Success}_i = & \beta_0 + \beta_1 \text{Wolfpack}_i + \beta_2 \text{Same Nationality}_i + \beta_3 \text{Hostility}_i + \beta_4 \text{Size}_i + \beta_5 \text{ROE}_i + \\ & \beta_6 \text{Leverage}_i + \beta_7 \text{Firm age}_i + \beta_8 \text{Year Controls} + \beta_9 \text{Industry Controls} + \mu_i \quad (1) \end{aligned}$$

The dependent variable Success is a dummy variable equal to one if the campaign turned out to be successful or partially successful, and zero otherwise. The main explanatory variables are the campaign characteristics and tactics, all of which are dummy variables. Wolfpack is equal to one if the campaign is driven by multiple activists at the same time and zero otherwise. Same Nationality is equal to one if the activist and the target company are headquartered in the same country, otherwise, it is zero. Hostility is equal to one if the tactic of the campaign is friendly, and zero otherwise.

In addition to the explanatory variables, Model 1 employs several control variables. Size, measured in total assets, is included to account for any differences in how large the company is. Second, the company's profitability is also a factor contributing to the company's performance, for why it is controlled. It is measured as return on equity, calculated by dividing the company's net income by the value of equity. Third, to account for the riskiness of the target companies, we include the debt-to-equity ratio. The ratio is calculated by dividing the value of reported debt by the value of equity. Lastly, we include firm age to account for any differences arising from the number of years operating. Finally, we also introduce controls for industry- and year effects to capture any potential impact arising from particular industries or years.

6.2 Model 2

Moving on to Model 2 and our second hypothesis, we estimate it by using the ordinary least-square regression model (OLS). As we are testing a specific variable's impact on the dependent variable, OLS allows us to draw conclusions on any potential causal effect estimated in the model. In addition, the model is widely used within econometrics and finance when having cross-sectional data (Wooldridge, 2016). We conduct four different regressions for the respective objective to allow for a more detailed analysis of the individual impact of each objective. Consequently, it helps in identifying which specific objectives have a significant impact on returns and thereby provides for a more nuanced understanding of the relationship between the campaign objective and the stock return. We employ some statistical adjustments to the model to account for the assumptions (conditions) and to ensure reliable results. This will be discussed in section 6.4. Model 2 can be denoted as follows.

$$\begin{aligned} \text{Abnormal return}_i = & \beta_0 + \beta_1 \text{Objective}_i + \beta_2 \text{Size}_i + \beta_3 \text{ROE}_i + \beta_4 \text{Leverage}_i + \\ & \beta_5 \text{Firm age}_i + \beta_6 \text{Year Controls} + \beta_7 \text{Industry Controls} + \beta_8 \text{Country Controls} + \mu_i \end{aligned} \quad (2)$$

The dependent variable is the one-year abnormal return for the target company. The abnormal return for company i is calculated as follows.

$$\text{1year return}_i = \frac{\text{Opening price at announcement date}}{\text{Closing price at campaign end date}} - 1 \quad (3)$$

$$\text{1year abnormal return}_i = \text{1year return}_i - \text{1year return}_{\text{index}} \quad (4)$$

The reason for calculating the abnormal return on a one-year basis is to avoid the cumulative effect of the established positive abnormal returns in the short term. Hence, we can isolate the return and achieve a measure that captures any potential shareholder value created during a longer time horizon. Regarding the index, we use Stoxx 600 as it is the broadest index mirroring the European stock market. It includes small, medium, and large firms, which should reflect the average company in our sample. Regarding the time horizon of the return, many papers study the announcement effect +/- 1 day, and in some cases up to 20-30 days (Swanson et al., 2022; Becht et al., 2017). As we intend to isolate the return from any announcement effect, using a too-short time horizon would potentially be affected by the

announcement effect. Therefore, in line with the few studies investigating a longer time horizon, the one-year abnormal return is appropriate.

The main explanatory variables concern the objective of the campaign. As discussed in the data description section, the objectives are grouped into four categories to be able to draw more robust conclusions. Business Strategy is a dummy variable equal to one if the objective is related to the business strategy in the target company, and zero otherwise. Corporate Governance is a dummy variable equal to one if the objective is related to the governance of the target company, otherwise, it is zero. M&A is a dummy variable equal to one if the objective is related to mergers & acquisitions and other transactional activities, otherwise, it is equal to zero. Lastly, Environmental & Social is a dummy variable equal to one if the objective is to achieve changes regarding environmental and social issues, otherwise, it is zero. The firm-specific controls and controls for industry and year are also included in Model 2, which are defined and described above. Additionally, to account for the target company's nationality and its impact on the stock return we include controls for target nationality (Country control).

6.3 Model 3

In order to test our third hypothesis, we expand on Model 2 and add an interaction term between the respective objective and the tactic of the campaign. The interaction term allows us to test if there are any moderating effects on the impact of the objective when interacted with the campaign's tactic. Model 3 can be denoted as follows.

$$\begin{aligned}
 \text{Abnormal return}_i = & \beta_0 + \beta_1 \text{Objective}_i + \beta_2 \text{Hostility}_i + \beta_3 \text{Objective}_i * \text{Hostility}_i + \quad (5) \\
 & \beta_4 \text{Size}_i + \beta_5 \text{ROE}_i + \beta_6 \text{Leverage}_i + \beta_7 \text{Firm age}_i + \beta_8 \text{Year Controls} + \\
 & \beta_9 \text{Industry Controls} + \beta_{10} \text{Country Controls} + \mu_i
 \end{aligned}$$

The dependent variable, Abnormal return, and the controls are described in the prior two sections. The variable Hostility is added which takes the value of one if the tactic is friendly and zero if the tactic is hostile. All variables included in the three models can be found in Table 1 in the Appendix.

6.4 Pre-Regression Diagnostic Tests

We conduct a Hosmer-Lemeshow test for the logistic regression model. The test investigates the goodness-of-fit in the model which yields an indication whether the model provides a good estimation or not. The Hosmer-Lemeshow tests the null hypothesis of a good-fitted model. In this case, with a p-value of 0.2300, we fail to reject the null hypothesis, suggesting that the logistic regression model used in the paper is appropriate for the data (Table 6, Panel A). For the model using OLS regression, we conduct a White-test to investigate the possible presence of heteroskedasticity. In other words, we test the hypothesis that there is a non-constant variance in the error term which would cause the OLS estimator to be biased and the subsequent p-values invalid. The White-test resulted in a p-value of 0.0001 and the null hypothesis of homoscedasticity was rejected (Table 6, Panel B). Therefore, we employ robust standard errors in our OLS regressions to ensure reliable and unbiased results.

7. Empirical Results

7.1 Model 1

In the first model (Table 7), we focus on our first hypothesis, investigating if the campaign characteristics can determine the probability of success of the campaign. In Model 1, we start with the base model and then we gradually add more controls. The estimation of the variables implies that there is one campaign characteristic that statistically determines the success rate. The calculations of probabilities from the logistic regression are found in the Appendix, Calculations 1.

Beginning with Wolfpack, across all regressions with different degrees of control, we cannot reject H1(1). In other words, there is no support for wolfpack activism being a determinant of the probability of success. While the coefficient seems to indicate a high probability (84.7%) of success, no conclusions can be drawn because of the lack of statistical significance. The insignificant result might suggest that there are other characteristics more determinant to campaign success. Even if wolfpacks have been described as a successful strategy in the U.S., the European market is evidently different. With that said, the possible congregation of like-minded investors or the increased gap between ownership and control does not appear to affect the probability of success. Interestingly, while the analysis of whether wolfpacks determine the probability of success has not been done, previous studies found a positive relationship with short-term returns (Becht et al., 2017). Drawing on theory, this could imply that the potentially large stake that the wolfpack holds together leads to efficiencies related to monitoring which overperforms agency costs (Jensen & Meckling, 1976), not dependent on whether the campaign was successful or not.

Further, looking at the variable Same Nationality the coefficient suggests that campaigns where the activist and the target company are from the same country yield a 92.5% probability of success *ceteris paribus* (see Calculation 1 in Appendix). Hence, regarding the variable Same Nationality, H1(2) is rejected at the 10% threshold including all controls. In other words, we find that domestic activism, i.e., the activist and the target company are from the same country, tends to have a higher probability of success relative to foreign activism. Interestingly, since U.S. activists constitute almost one-third of our sample, the results suggest that US. activists find low success in Europe compared to domestic activists, which is

in line with Becht et al. (2017). Moreover, it is important to note that U.S. activists represent one-third of the sample, indicating a significant presence in foreign activism, particularly in Europe. This dominance raises the question of whether non-U.S. activism in Europe experiences the same lower success rate. It could be that this effect of foreign activism within Europe (excluding U.S. activists) may not be as pronounced due to its homogeneous regulatory landscape. Additionally, within Europe, there might be smaller cultural differences and smaller distances between the countries, which potentially mitigates the effect more.

Lastly, bringing attention to H1(3), the model suggests that the hostility of the campaign does not determine the probability of campaign success. The coefficient representing a probability of 87.2% is insignificant and the H1(3) cannot be rejected. Although not significant, setting the variable Hostility equal to zero, the coefficient suggests a probability of 82.1%. In other words, the probabilities are economically equal. However, while the coefficient lacks significance, it seems that both tactics have an equal probability of success which can be seen as contradictory to previous studies in the U.S. which found friendly tactics to be more successful (Brav et al., 2008; Klein & Zur, 2009). However comparing the sample composition, our study has a larger proportion of hostile tactics (50% in our study and approximately 30% in previous studies) while the success rate of two-thirds is about the same. Therefore, the choice of tactic in Europe seems to not be as important as previously established.

To summarize the first model and hypotheses, the results suggest that Same Nationality is the only determinant characteristic in regard to the probability of campaign success. Neither wolfpack activists nor the campaign tactic have a statistically meaningful impact on the probability of success. Briefly, looking at the control variables, only return on equity seems to have an impact on the probability of success. The coefficient suggests an 87.2% increase in probability for every percentage increase in ROE which indicates that profitable firms tend to lead to successful campaigns.

7.2 Model 2

Moving on to model 2 (Table 8) we test our second hypothesis. Beginning with Business Strategy campaign objectives, the coefficient is -0.107 meaning that an objective related to business strategy leads to a decrease in the one-year return of 0.107% when controlling for

industry-, year-, and country effects. Hence, H2(1) is rejected at the 5% threshold. Interestingly, these results are somewhat contradictory to short-term shareholder value creation, where the impact was positive (Brav et al., 2008). Therefore, the effectiveness over time may not match its initial positive impact, suggesting the abnormal return around the announcement date is erased in the long term. Also, the profitability has been shown to decline when trying to implement strategic objectives (Barros et al., 2023), which could potentially be another reason to believe that it is value destroying to shareholders, why the negative impact on performance in our study. Another aspect is that activists are typically generalists, meaning they do not specialize in specific sectors and are not experts in the particular businesses of their target firms. As a result, when they target a company with a strategic business objective, the likelihood of being wrong in their investment hypothesis is higher. However as the short-term return has proven to be positive, at least in the U.S, it is likely that it fails to capture the difficulty in implementing strategic objectives. Business strategy is arguably more ambiguous and subjective, making it harder to identify the necessary changes upfront. Therefore, the actual effect is likely achieved in the long-term which may explain the negative returns associated with business strategy objectives. In contrast, it is easier for activists to identify M&A-related issues, which are more straightforward and less complex than strategic business changes.

Moreover, looking at campaigns targeting the target company's Corporate Governance, the estimated coefficient is -0.022. This suggests that campaigns targeting corporate governance are related to 0.022% lower returns than other campaigns. However, the coefficient lacks statistical significance and H2(2) cannot be rejected. Economically though, the fact that there is no relationship, or possibly negative, may suggest that governance-related changes alone might not be sufficient to impact shareholder value. In turn, this means that the market's preferences may lean towards other types of interventions. However, it has been shown that, in a U.S. context, activists succeed in implementing small changes related to corporate governance. Yet, the impact on performance has been weak or even negative (Clifford, 2008). In other words, our finding confirms the lack of impact on returns in a European context. Also, the short-term positive effects observed across all objectives in Brav et al. (2008), and the insignificant long-term effects, suggest that the initial positive announcement impact is not sustainable over the long term and perhaps unrelated to the objective itself.

Furthermore, concerning objectives related to M&A, the estimated coefficient is 0.064 meaning that campaigns targeting M&A-related objectives yield 0.064% higher returns than other campaigns. The result is significant at the 10% threshold, meaning that H2(3) is weakly rejected. Interestingly, as opposed to the pattern found regarding Business Strategy and Corporate Governance, the short-term positive abnormal returns found by Greenwood & Schor (2009) seem to also be sustainable in the long term. The weakly suggested positive effect might be explained by that target companies tend to secure a premium when selling a division or a unit, consequently creating shareholder value (Becht et al., 2017). Further expanding on the fact that the short-term positive returns seem to hold in the longer term as well, it could be explained by that transaction-related activities are generally considered to be value-creating to shareholders. In addition, it reveals information about the target company, which mitigates the information asymmetry between management and investors, possibly contributing to the impact on returns.

Lastly, Environmental and social-related objectives are significantly positive (at the 5% threshold) and the estimated coefficient is 0.203. Hence, we reject H2(4) and confirm that campaigns targeting environmental and social issues lead to greater returns. A campaign with this objective leads to an increase of 0.203% in the one-year return, which also has an economic significance. This objective has received a lot of focus in the last couple of years and it has proven to be connected to the long-term reputation of a company and, in turn also the shareholder value (Barros et al., 2023). Our findings indicate that these initiatives indeed enhance value, contrary to claims (Barros et al., 2023; Winegarden, 2022) that they are solely politically or ideologically driven without any associated economic benefits.

Summarizing the results of model 2, we reject H2(1,3,4) at the 5%, 10%, and 5% significance level respectively. These results suggest that objectives concerning strategy, M&A, and environmental & social issues have an impact on long-term shareholder value. In other words, there are reasons to believe that these objectives lead to change within a company that has an effect, not only in the short term (Becht et al., 2017; Brav et al., 2008; Greenwood & Schor, 2009; Klein & Zur, 2009; Swanson et al., 2022) but over a longer time horizon as well. Taking our results into a broader economic context, most activist objectives lead to change that is sustainable in the long term. Shortly, looking at the control variables, Model 2 suggests D/E (leverage) is positively related to shareholder value created, which is expected.

7.3 Model 3

Looking into the second research question more deeply, specifically in hypothesis 3, we investigate whether there are any moderating effects on the impact of the objective when interacting with the campaign's tactic. Table 9, beginning with the business strategy objective, suggests that there are no moderating effects. The coefficient keeps the same sign, however smaller in magnitude (-0.062), but loses its significance. The interaction term is not significant either. Drawing on previous studies, it is no surprise that we find the same results in the European market (Brav et al., 2008). The authors explain this is because the market believes that hostile tactics are more effective which, in terms of campaign success, they are.

Interestingly, looking at Corporate governance, the variable itself loses its significance, however, the interaction term suggests a weakly significant moderating effect. The coefficient is -0.107. In simpler terms, a campaign focusing on corporate governance and employing a friendly approach performs 0.107% worse than a hostile one within a year. This observation draws upon agency theory and findings by Brav et al. (2008), suggesting that hostile tactics might be more effective in instigating governance-related changes. Given that governance issues entail substantial costs (Jensen & Meckling, 1976), our findings imply that friendly tactics may be less effective in mitigating information asymmetry and serve as a monitoring device, consequently diminishing shareholder wealth (Jensen & Murphy, 1990).

Moving on to the variable M&A, again there is no evidence of a moderating effect of the activist's tactic. However, the coefficient of Hostility shows -0.153 with statistical significance at the 5% threshold. This suggests that the tactic does not moderate the objective directly, but within the model of M&A-related objectives, the tactic has a significant influence on the shareholder created with 0.153% at the 5% threshold. Put differently, there are no moderating effects of the tactic when aiming for an M&A objective, however, the regression suggests a negative impact of friendly tactics. Again, one could draw the conclusion that friendly tactics are less effective than hostile tactics in regard to implementing their tactics. Drawing on Brav et al. (2008), activists are incentivized to change to a hostile tactic when they want to pursue their objective which could serve as evidence for friendly tactics being less effective. Lastly, ESG only has friendly engagements in our which explains why the interaction term is omitted. However, as for M&A objectives, the variable

Hostility shows a negative effect on shareholder value at the 1% significance level, giving additional evidence that friendly tactics might not be sustainable in the long run.

To conclude, while no moderating effects were found, Model 3 indicates that friendly tactics may be value-destroying in the long term. In the context of activism, the agency issue is important as the activist may be a victim to managers pursuing their own objectives (Berle & Means, 1932). Therefore, our results may suggest that friendly tactics are not as efficient regarding the necessary monitoring to handle the management. Or it could be that friendly tactics yield higher agency costs which in turn destroy the long-term shareholder value.

7.4 Robustness

To achieve robustness in Model 1, we first employ robust standard errors. Additionally, Model 1 is also tested using a probit regression model. Table 10 shows that the results are consistent for both the logit- and the probit regression models, suggesting that the results hold for both a normal- and logistic distribution of the dependent variable. Turning to Models 2 and 3, we employ the standard statistical adjustments to achieve robustness. Firstly, to handle heteroskedasticity we employ robust standard errors throughout all regressions. In addition, although the use of abnormal return is appropriate considering the research design, it can be subject to volatility in market- and individual stock returns. To address this issue, we introduce controls for industry and year to capture the market effects. In addition, we control for target nationality to capture any potential effect on stock returns specific to the target company's country. Lastly, Models 2 and 3 are tested against the abnormal return using a different index (Euronext 100)². Examining Tables 11 and 12, we observe similar results to those obtained using abnormal returns with the Stoxx 600, which confirms the robustness of our findings.

² Euronext 100 mirrors the 100 biggest and most liquid companies on the European market, which serves as a proxy for the European market.

8. Conclusion

Using a sample of 236 firms and 351 activist campaigns during the period 2010-2023 in Europe, this paper aims to answer two research questions: What characteristics and tactics of activist campaigns determine the likelihood of success in Europe?, and; How do the different objectives of activist campaigns relate to long-term shareholder returns in Europe?

For the first research question, the paper first uncovers that domestic activism, i.e. when the target company and activist are headquartered in the same country, increases the probability of a successful campaign outcome. There are reasons to believe why this is the case. Presumably, local activism facilitates a better understanding of the local business environment and potentially fewer regulatory and cultural barriers. Additionally, collaboration between the activist and the target company is likely to be simpler. However, it is important to highlight that we can only speculate on these factors as this is not what we have researched but economically it makes sense that local activism is more convenient and therefore more likely to succeed. Moreover, given that the majority of activists in our sample are American (one-third), we provide some insight into that, according to our findings, they seem to struggle in Europe as the success rates are high overall but low for foreign activism. Moreover, our findings show that regardless of the tactic employed, there is a high chance of campaign success. As to why this is the case, again, we can only speculate. This might imply that activists are highly skilled at choosing effective tactics, as evidenced by the fact that approximately two-thirds of the campaigns in our sample were successful.

Turning to the second research question, our findings suggest that the objective of the campaign impacts equity returns. Firstly, Environmental and Social objectives tend to impact shareholder value in a positive way. There are reasons to believe why this is the case. Presumably, the long-term reputation of the company and its alignment with shareholder interests contribute to this positive impact. This might also indicate that focusing on ESG for companies and investors overall can be beneficial, not just an agenda for activists to address. Secondly, objectives aiming to achieve some sort of transaction (M&A-related) are also suggested to be linked with abnormal returns, in line with previous research. On the contrary, business strategy objectives are shown to have a negative association with returns. A possible explanation for this might be that activists are typically generalists, i.e. they don't specialize

in specific sectors. As a result, when targeting a company with a business strategy objective, the likelihood of errors in their investment hypothesis is likely higher. Business strategy is often ambiguous and subjective, making it difficult to identify necessary changes upfront. This might explain why business strategy objectives are associated with negative abnormal returns in the long term, as the complexity of these goals increases the risk of unsuccessful interventions. Moreover, objectives related to corporate governance showed no significant impact on returns, however, it indicates that it could be negative. It may be hard to create value through governance changes alone, as these changes often serve as a way to gain influence. This influence can then be used to implement broader strategic or operational changes. Therefore, arguably governance changes alone are not enough and should therefore not be viewed in isolation but rather as a means to an end. Additionally, when examining any moderating effects, we found that overall, no significant effects were observed when objectives were interacted with tactics. The only exception was that returns related to campaigns with corporate governance objectives that interacted with a friendly tactic were negatively affected. Overall, this might indicate that the choice of tactic is less important than the objective itself, suggesting that activists should focus on pursuing the appropriate objective rather than the tactic.

Compared to previous studies on investor activism and campaigns, we have shifted from a short-term focus to providing additional insights into how activism influences shareholder returns over an extended period. Additionally, while extensive research exists on the U.S. markets, the European market has not been as thoroughly studied. By expanding the sample beyond hedge funds and the U.S. market, our study contributes to a more comprehensive understanding of activism, with a special focus on the activists, their objectives, and the characteristics of their campaigns.

8.1 Limitations and Recommended Future Research

Although we believe that we have contributed to a better understanding of activism, we are humble enough to acknowledge that there are limitations to this paper. Firstly, although this study includes all the campaigns made during the time frame found in the database, the number of campaigns analyzed is small in absolute terms. Comparing it to previous studies on the U.S. market, our sample is generally smaller. However, some U.S. studies have used a small sample, why the sample size itself is not alarming (Klein & Zur, 2009). However,

having a small sample in general, may have an effect on the results from the OLS regressions as the estimates could be imprecise. In addition, a matched sample would increase the sample size and potentially lead to even more precise results. Using a matched sample would also enable a panel data analysis, looking at the sample over several time periods instead of cross-sectionally. Further, data availability constraints led to some observations being lost which is unfortunate considering the already small sample. The reason was due to a lack of company data or missing stock data. Lastly, to gain more robustness to the models additional controls could be added.

Given the extensive research on activism in general, and the lack of studies in Europe, especially with a more long-term focus, this paper provides for further research opportunities. First, future research could expand on our study and look into the objectives more specifically, providing nuances for why some objectives create shareholder value. Third, as campaigns related to environmental and social objectives are a comparatively newly established objective, diving deeper into the impact of activist investors on the broader environmental goals and issues is a potential topic. Lastly, this paper provides support for nationality being a determinant factor of success, however, the reason why those campaigns achieve better success has not yet been examined. On top of that, we provide some insight into U.S. activists achieving less success in Europe, which is also a possible topic for future research.

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Tables

Table 1 - Targets Nationality

Table 1 provides an overview of the nationality of the target companies in the campaigns and where the activists are located, in Panel A and B respectively. Column 1 shows the nationalities. Column 2 shows the target companies or activists while column 3 shows the percentage of the total sample. Column 4 shows the cumulative proportion in percent which adds up to 100.

Panel A:

Target nationality	Freq.	Percent	Cum.
Austria	2	0.62	0.62
Belgium	5	1.54	2.15
Cyprus	1	0.31	2.46
Finland	7	2.15	4.62
France	30	9.23	13.85
Germany	49	15.08	28.92
Greece	4	1.23	30.15
Ireland	20	6.15	36.31
Italy	10	3.08	39.38
Luxembourg	8	2.46	41.85
Monaco	3	0.92	42.77
Netherlands	11	3.38	46.15
Norway	8	2.46	48.62
Portugal	2	0.62	49.23
Spain	7	2.15	51.38
Sweden	10	3.08	54.46
Switzerland	24	7.38	61.85
United Kingdom	124	38.15	100.00
Total	325	100.00	

Panel B:

Activist nationality	Freq.	Percent	Cum.
Australia	7	2.15	2.15
Austria	2	0.62	2.77
Belgium	2	0.62	3.38
Bermuda	1	0.31	3.69
Canada	3	0.92	4.62
China	2	0.62	5.23
Czech Republic	1	0.31	5.54
Finland	2	0.62	6.15
France	20	6.15	12.31
Germany	19	5.85	18.15
Hong Kong	1	0.31	18.46
Ireland	2	0.62	19.08
Israel	1	0.31	19.38
Italy	2	0.62	20.00
Lithuania	1	0.31	20.31
Luxembourg	4	1.23	21.54
Monaco	3	0.92	22.46
Other	4	1.23	23.69
Netherlands	8	2.46	26.15
Norway	8	2.46	28.62
Singapore	2	0.62	29.23
South Korea	1	0.31	29.54
Spain	3	0.92	30.46
Sweden	15	4.62	35.08
Switzerland	8	2.46	37.54
United Kingdom	93	28.62	66.15
United States	110	33.85	100.00
Total	325	100.00	

Table 2 - Sectors of Target

Table 2 provides an overview of the industries in which the target companies operate or have been operating. Column 1 shows the different industries. In column 2 the number of target companies in the respective sector is shown, while column 3 shows the percentage in relation to the whole sample. Column 4 shows the cumulative proportion in percent which adds up to 100.

Primary Sector	Freq.	Percent	Cum.
Communication Services	34	10.46	10.46
Consumer Discretionary	32	9.85	20.31
Consumer Staples	28	8.62	28.92
Energy	41	12.62	41.54
Financials	42	12.92	54.46
Health Care	37	11.38	65.85
Industrials	48	14.77	80.62
Information Technology	11	3.38	84.00
Materials	27	8.31	92.31
Real Estate	13	4.00	96.31
Utilities	12	3.69	100.00
Total	325	100.00	

Table 3 - Campaign Objectives

Table 3 gives a breakdown of the different objectives of the activist campaigns. This is before the objectives are grouped into the four categories used in the paper; Strategy, Corporate Governance, M&A, and Environmental and Social. Column 1 shows all the different campaign objectives in the sample. In column 2 the number of campaigns under the respective objective is shown, while column 3 shows the percentage in relation to the whole sample. Column 4 shows the cumulative proportion in percent which adds up to 100.

Variable	Freq	Percent	Cum
Spinoff	22	5.31	5.31
Breakup	17	4.11	9.42
Sell	12	2.90	12.32
Merger	2	0.48	12.80
Undervalued	20	4.83	17.63
Replace Board	151	36.47	54.11
Strategy	128	30.92	85.02
Increase Ownership	9	2.17	87.20
Executive Compensation	5	1.21	88.41
Environmental & Social	31	7.49	95.89
Legal	14	3.38	99.28
Takeover defense	3	0.72	100.0
Total	414	100.00	

Table 4 - Summary statistics of all variables

Table 4 gives an overview of the summary statistics. Column 1 shows all variables included in Model 1 and Model 2. Columns 2-6 summarize the mean, median, standard deviation (SD), minimum value, maximum value, and number of observations for every variable included in the models. In columns 7 and 8 the results of the test in differences in the mean are shown. The sample is divided into two groups based on whether the campaign was successful or not. There are 101 unsuccessful campaigns and 224 successful campaigns and column 7 shows the difference in means between unsuccessful and successful campaigns. Column 8 shows the associated p-value for the test.

	Mean	Median	SD	Min	Max	N	Diff	P-value
Success or Settled	.689	1	0.464	0	1	325	N/A	N/A
Abnormal Return	-.053	-.059	0.432	-1.001	1.751	325	.0268	0.606
Environmental & Social	.086	0	0.281	0	1	325	.004	0.899
M&A	.16	0	0.367	0	1	325	.055	1.255
Corporate Governance	.495	0	0.501	0	1	325	-.202	0.001***
Business Strategy	.431	0	0.496	0	1	325	-.036	0.545
Hostility	.569	1	0.496	0	1	325	-.0502	0.399
Same Nationality	.305	0	0.461	0	1	325	-.1403	0.011**
Wolfpack	.228	0	0.420	0	1	325	.0144	0.775
Size (MEUR)	111 273.03	7 035.276	305 720.403	2.658	1 641 928.1	325	-18528.09	0.614
ROE (%)	-4.954	5.6	58.237	-381.982	128.644	325	-13.240	0.043**
D/E	1.301	.487	3.613	-4.898	21.03	325	.197	0.650

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 5 - Pairwise correlation matrix

Table 5 shows a pairwise correlation matrix for all the variables included in Model 1 and Model 2.

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) Success or Settled	1.000											
(2) Abnormal Return	-0.029	1.000										
(3) Environmental & Social	-0.007	0.103*	1.000									
(4) M&A	-0.070	0.047	-0.134**	1.000								
(5) Corporate Governance	0.187***	0.004	-0.304***	-0.248***	1.000							
(6) Business Strategy	0.034	-0.109**	-0.267***	-0.227***	-0.402***	1.000						
(7) Hostility	0.047	-0.083	0.267***	-0.010	-0.232***	0.129**	1.000					
(9) Same Nationality	0.141**	-0.094*	-0.036	-0.143***	0.200***	-0.117**	-0.099*	1.000				
(10) Wolfpack	-0.016	0.051	0.147***	-0.017	-0.156***	0.046	0.102*	0.071	1.000			
(11) Size	0.028	0.082	0.220***	0.061	-0.055	-0.112**	0.036	-0.067	0.070	1.000		
(12) ROE	0.113**	0.064	0.110**	0.042	-0.070	-0.063	0.086	0.001	0.072	0.072	1.000	
(13) D/E	-0.025	0.148***	-0.006	-0.034	0.010	0.001	-0.010	-0.102*	0.177***	0.471***	-0.130**	1.000

*** $p < .01$, ** $p < .05$, * $p < .1$

Table 6 - Pre-regression diagnostic tests

Table 1 provides pre-regression diagnostic tests for Model 1 and Model 2. Panshows show the test for Model 1. It utilizes the Hosmer-Lemeshow test of goodness of fit. The null-hypothesis is that the model is a good fit and the coefficient of Prob>chi2 in the column shows the p-value which shows whether the null hypothesis is rejected or not. Panshows show the test for Model 2. It applies the White-test, which tests if there is heteroskedasticity in the model. The null hypothesis is that there is homoskedasticity and the p-value in the column shows whether the null hypothesis is rejected.

Panel A:

	Coefficient
Number of observations	325
Number of covariate patterns	317
Pearson chi2 (308)	326.02
Prob > chi2	0.2300

Panel B:

	Chi2	df	p
Heteroskedasticity	89.34	46	0.0001
Skewness	31.82	9	0.0002
Kurtosis	5.30	11	0.0213
Total	126.46	56	0.0000

Table 7 - Regression results for Model 1

Table 7 shows the regression results for Model 1, using the logit regression model. It tests the probability that the campaign is either successful or unsuccessful for the variables: Wolfpack, Same Nationality, and Hostility. Also, a set of firm controls is included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. Regression 1 is the simplest model, regression 2 adds controls for Year and in regression 2 control for industry is added.

#Regression	1	2	3
Dependent var: Succes or Settled	Model 1	Model 1	Model 1
Wolfpack	-0.179 (0.303)	-0.074 (0.317)	-0.201 (0.339)
Same nationality	0.699** (0.299)	0.585* (0.317)	0.596* (0.334)
Hostility	0.307 (0.253)	0.284 (0.259)	0.010 (0.312)
Size ¹	-0.069 (0.055)	-0.093 (0.063)	-0.064 (0.066)
ROE ¹	0.005* (0.003)	0.005* (0.003)	0.005* (0.003)
D/E ¹	0.013 (0.034)	-0.020 (0.041)	-0.022 (0.043)
Firm age	0.003 (0.002)	0.002 (0.002)	0.003 (0.002)
_cons	0.851* (0.469)	0.775 (0.903)	1.913 (1.637)
Observations	325	325	325
Pseudo R ²	0.043	0.065	0.123
Year Controls	No	Yes	Yes
Industry Controls	No	No	Yes
Standard errors	Robust	Robust	Robust
Method	OLS	OLS	OLS

Robust standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

¹Winsorized at the 1st and 99th percentile.

Table 8 - Regression results for Model 2

Table 8 shows the regression results for Model 2, using the ordinary-least-square (OLS) regression model. It tests the causal relationship between the explanatory variables and the dependent variable, one-year abnormal return. The explanatory variables are; Business strategy (regression 1), Corporate Governance (regression 2), M&A (regression 3), and Environmental & Social (regression 4). Also, a set of firm controls is included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. The model includes additional controls for Industry, Years, and Country (target nationality) and employs robust standard errors.

#Regression	1	2	3	4
Dependent var: Abnormal Return	Model 2	Model 2	Model 2	Model 2
Business Strategy	-0.107** (0.050)			
Corporate Governance		0.022 (0.057)		
M&A			0.064* (0.063)	
Environmental & Social				0.203** (0.086)
Size ¹	0.014 (0.011)	0.015 (0.013)	0.012 (0.013)	0.005 (0.014)
ROE ¹	0.001 (0.000)	0.001 (0.000)	0.001 (0.000)	0.001 (0.000)
D/E ¹	0.025*** (0.008)	0.025** (0.012)	0.026** (0.012)	0.027** (0.011)
Firm Age	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Constant	-0.626 (0.677)	-0.608*** (0.224)	-0.580*** (0.198)	-0.495** (0.213)
Observations	325	325	325	325
R-squared	0.202	0.183	0.188	0.201
Year Controls	Yes	Yes	Yes	Yes
Industry Controls	Yes	Yes	Yes	Yes
Country Controls	Yes	Yes	Yes	Yes
Standard errors	Robust	Robust	Robust	Robust
Method	OLS	OLS	OLS	OLS

Robust standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

¹Winsorized at the 1st and 99th percentile.

Table 9 - Regression results for Model 3

Table 9 shows the regression results for Model 3, using the ordinary-least-square (OLS) regression model. It tests the causal relationship between the explanatory variables and the dependent variable, one-year abnormal return while interacted with the variable Hostility. The explanatory variables are; Business strategy (regression 1), Corporate Governance (regression 2), M&A (regression 3), and Environmental & Social (regression 4). In Model 3, the explanatory variables are separately interacted with the variable hostility. A set of firm controls are included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. Additional controls for Industry, Years, and Country (target nationality) are added and robust standard errors are employed.

#Regression	1	2	3	4
Dependent var: Abnormal Return	Model 3	Model 3	Model 3	Model 3
Business Strategy	-0.062 (0.081)			
Hostility	-0.108 (0.072)	-0.088 (0.074)	-0.153** (0.059)	-0.156*** (0.054)
Hostility x Business Strategy	-0.052 (0.103)			
Corporate Governance		0.063 (0.084)		
Hostility x Corporate Governance		-0.107* (0.109)		
M&A			0.007 (0.108)	
Hostility x M&A			0.084 (0.128)	
Environmental & Social				0.233*** (0.087)
Hostility x Environmental & Social				
Size ¹	0.017 (0.011)	0.017 (0.013)	0.016 (0.013)	0.008 (0.013)
ROE ¹	0.001 (0.000)	0.001 (0.000)	0.001 (0.000)	0.001 (0.000)
D/E ¹	0.024*** (0.008)	0.024** (0.012)	0.025** (0.012)	0.026** (0.012)
Firm Age	0.000 (0.000)	0.000 (0.000)	-0.000 (0.000)	0.000 (0.000)
Constant	-0.656 (0.675)	-0.723*** (0.247)	-0.648*** (0.212)	-0.559** (0.229)
Observations	325	325	325	325
R-squared	0.212	0.205	0.201	0.219
Year Controls	Yes	Yes	Yes	Yes
Industry Controls	Yes	Yes	Yes	Yes
Country Controls	Yes	Yes	Yes	Yes
Standard errors	Robust	Robust	Robust	Robust
Method	OLS	OLS	OLS	OLS

Robust standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

¹Winsorized at the 1st and 99th percentile.

Table - 10, Regression results Model 1 (robustness test)

Table 10 shows the regression results for Model 1, using the probit regression model. It tests the probability that the campaign is either successful or unsuccessful for the variables: Wolfpack, Same Nationality, and Hostility. Also, a set of firm controls is included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. Regression 1 is the simplest model, regression 2 adds controls for Year and in regression 2 control for industry is added.

#Regression	1	2	3
Dependent var: Succes or Settled	Model 1	Model 1	Model 1
Wolfpack	-0.113 (0.183)	-0.053 (0.192)	-0.137 (0.200)
Same Nationality	0.412** (0.176)	0.342* (0.182)	0.344* (0.189)
Hostility	0.181 (0.153)	0.178 (0.154)	0.005 (0.179)
Size ¹	-0.041 (0.033)	-0.052 (0.037)	-0.037 (0.038)
ROE ¹	0.003** (0.002)	0.003* (0.002)	0.003* (0.002)
D/E ¹	0.008 (0.033)	-0.010 (0.037)	-0.011 (0.038)
Firm Age	0.002 (0.001)	0.001 (0.001)	0.002 (0.001)
Constant	0.522* (0.279)	0.432 (0.529)	1.078 (0.864)
Observations	325	325	325
Pseudo R ²	0.036	0.073	0.106
Year Controls	No	Yes	Yes
Industry Controls	No	No	Yes
Standard errors	Robust	Robust	Robust
Method	OLS	OLS	OLS

Robust standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

¹Winsorized at the 1st and 99th percentile.

Table 11 - Regression results for Model 2 (robustness test)

Table 11 shows the regression results for Model 2, using the ordinary-least-square (OLS) regression model. It tests the causal relationship between the explanatory variables and the dependent variable, one-year abnormal return. In this regression, the one-year abnormal return is measured using another index (Euronext 100). The explanatory variables are; Business strategy (regression 1), Corporate Governance (regression 2), M&A (regression 3), and Environmental & Social (regression 4). Also, a set of firm controls is included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. The model includes additional controls for Industry, Years, and Country (target nationality) and employs robust standard errors.

#Regression	1	2	3	4
Dependent var: Abnormal Return	Model 2	Model 2	Model 2	Model 2
Business Strategy	-0.115** (0.047)			
Corporate Governance		-0.010 (0.055)		
M&A			0.105* (0.058)	
Environmental & Social				0.219*** (0.080)
Size ¹	0.002 (0.010)	-0.001 (0.013)	-0.002 (0.012)	-0.008 (0.013)
ROE ¹	0.001** (0.000)	0.001* (0.001)	0.001* (0.001)	0.001** (0.001)
D/E ¹	0.028*** (0.008)	0.028** (0.012)	0.029** (0.012)	0.030** (0.012)
Firm Age	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Constant	0.610 (0.436)	1.080*** (0.208)	0.510*** (0.161)	0.584*** (0.170)
Observations	325	325	325	325
R-squared	0.225	0.210	0.217	0.223
Year Controls	Yes	Yes	Yes	Yes
Industry Controls	Yes	Yes	Yes	Yes
Country Controls	Yes	Yes	Yes	Yes
Standard errors	Robust	Robust	Robust	Robust
Method	OLS	OLS	OLS	OLS

Robust standard errors are in parentheses

**** $p < .01$, ** $p < .05$, * $p < .1$*

¹Winsorized at the 1st and 99th percentile.

Table 12 - Regression results for Model 3 (robustness test)

Table 12 shows the regression results for Model 3, using the ordinary-least-square (OLS) regression model. It tests the causal relationship between the explanatory variables and the dependent variable, one-year abnormal return while interacted with the variable Hostility. In this regression, the one-year abnormal return is measured using another index (Euronext 100). The explanatory variables are; Business strategy (regression 1), Corporate Governance (regression 2), M&A (regression 3), and Environmental & Social (regression 4). In Model 3, the explanatory variables are separately interacted with the variable hostility. A set of firm controls are included in the model; ROE (return on equity), D/E (leverage), Size (measured in log total assets), and firm age. Additional controls for Industry, Years, and Country (target nationality) are added and robust standard errors are employed.

#Regression	1	2	3	4
Dependent var: Abnormal Return	Model 3	Model 3	Model 3	Model 3
Business Strategy	-0.121 (0.077)			
Hostility	-0.096 (0.070)	-0.010 (0.069)	-0.098* (0.059)	-0.114** (0.054)
Hostility x Business Strategy	0.024 (0.100)			
Corporate Governance		0.083 (0.080)		
Hostility x Corporate Governance		-0.187* (0.103)		
M&A			0.089 (0.095)	
Hostility x M&A			0.018 (0.120)	
Environmental & Social				0.241*** (0.081)
Hostility x Environmental & Social				
Size ¹	0.005 (0.010)	0.002 (0.013)	0.001 (0.012)	-0.005 (0.013)
ROE ¹	0.001** (0.000)	0.001* (0.001)	0.001* (0.001)	0.001** (0.001)
D/E ¹	0.028*** (0.008)	0.028** (0.012)	0.029** (0.012)	0.030** (0.012)
Firm Age	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)	0.000 (0.000)
Constant	0.678 (0.438)	0.532*** (0.174)	0.596*** (0.166)	0.692*** (0.176)
Observations	325	325	325	325
R-squared	0.232	0.229	0.225	0.235
Year Controls	Yes	Yes	Yes	Yes
Industry Controls	Yes	Yes	Yes	Yes
Country Controls	Yes	Yes	Yes	Yes
Standard errors	Robust	Robust	Robust	Robust
Method	OLS	OLS	OLS	OLS

Robust standard errors are in parentheses

**** p<.01, ** p<.05, * p<.1*

¹Winsorized at the 1st and 99th percentile.

Appendix

Calculations 1:

The probability of the explanatory variables in the logistic regression

$$P(Y = 1|X) = \frac{1}{1+e^{-z}}$$

Wolfpack:

$$z = 1.913 - 0.201 * 1 = 1.712$$

$$P(Y = 1|X) = \frac{1}{1+e^{-(1.712)}} = 0.847$$

Same Nationality:

$$z = 1.913 + 0.596 * 1 = 2.509$$

$$P(Y = 1|X) = \frac{1}{1+e^{-2.509}} = 0.925$$

Hostility (Friendly):

$$z = 1.913 + 0.010 * 1 = 1.923$$

$$P(Y = 1|X) = \frac{1}{1+e^{-1.923}} = 0.872$$

ROE:

$$z = 1.913 + 0.005 * 1 = 1.918$$

$$P(Y = 1|X) = \frac{1}{1+e^{-1.918}} = 0.872$$

Table 1 - Variable definition table

Variable	Definition	Data Source
Success or Settled (dummy)	1 if campaign is successful or reaches partial success, 0 otherwise	Capital IQ
Abnormal Return (%)	One-year return for company i subtracted with one-year return for Stoxx 600	Yahoo Finance Data Base
Wolfpack (dummy)	1 if campaign is launched by multiple activists	Capital IQ
Same Nationality (dummy)	1 if activist and target company are headquartered in the same country, 0 otherwise	Capital IQ
Hostility (dummy)	1 if campaign tactic is friendly, 0 if campaign tactic is hostile	Capital IQ
Business Strategy (dummy)	1 if campaign objective is related to Business Strategy, 0 otherwise	Capital IQ
Corporate Governance (dummy)	1 if campaign objective is related to corporate governance, 0 otherwise	Capital IQ
M&A (dummy)	1 if campaign objective is related to mergers and acquisitions, 0 otherwise	Capital IQ
Environmental & Social (dummy)	1 if campaign objective is related to environmental and social issues, 0 otherwise	Capital IQ
Size	Total assets. In logarithmic terms when in regressions	Orbis and company's annual report
ROE (%)	Net income divided by the value of equity	Orbis and company's annual report
D/E (%)	Value of debt divided by value of equity	Orbis and company's annual report
Firm Age (years)	Years since incorporation	Capital IQ