DO ACTIVIST TYPES MATTER?

A COMPARATIVE ANALYSIS OF SHAREHOLDER ACTIVISTS

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Abstract:

Using a comprehensive dataset of 2,640 activist interventions from 2000 to 2022, we categorize shareholder activists into seven distinct activist types to examine potential heterogeneity among activists. We find that activist types select different target firms based on size, profitability, and payout policies. Hedge funds, private equity, venture capital, mutual funds, and other financial institutions generate significant positive abnormal returns of 5% around activism announcements. In contrast, interventions by pension funds and individuals result in significantly lower returns. Despite these initial differences, we observe convergence in firm performance across activist types over a one-year period. This suggests that although activist type impacts short-term market reactions, it does not determine long-term firm outcomes.

Keywords:

Shareholder activism, Activist heterogeneity, Activist strategies, Abnormal returns

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Shareholder activism has emerged as a pivotal force in shaping financial markets. Among the various categories of shareholder activists, hedge funds have garnered considerable attention in the media and academic discourse, primarily due to their assertive strategies and high-profile interventions. This focus on hedge fund activism, while important, has overshadowed activism pursued by other activist types. A comprehensive understanding of shareholder activism requires a broader lens that incorporates the contributions and strategies of these alternative activist groups.

The existing literature predominantly focuses on hedge funds as the primary agents of activism. Denes, Karpoff, and McWilliams (2017) summarize 30 years of research on the topic and document abnormal returns of approximately 5–7% for hedge fund target firms in the short term. While some researchers including Klein and Zur (2009), Swanson and Young and Yust (2022) have compared hedge funds to a broader category of other activists, these analyses often treat non-hedge fund activists as a single uniform group. This approach overlooks potential heterogeneity within the non-hedge fund activist category, such as differences in investment objectives, strategies and success rates. Building upon prior research by Klein and Zur (2009), Swanson, Young and Yust (2022) and von Lilienfeld-Toal and Schnitzler (2020) our study extends the literature by categorizing shareholder activists into seven distinct activist types: hedge funds, private equity, venture capital, pension funds, mutual funds, individuals, and other financial institutions. This extended classification captures the variations that may influence the effectiveness and impact of different activists. By comparing our defined categories with the extensively studied hedge funds, we seek to deepen the understanding of how activist type influences the outcomes of shareholder engagement.

Following the definition by Kallis and Corbet (2024), we define shareholder activism as efforts by shareholders to influence a company's management and policies to enhance shareholder value. We investigate shareholder activist campaigns over a 23-year period ranging from 2000 to 2022. Our analysis utilizes a comprehensive dataset from ThomsonOne, encompassing 2,640 activist interventions in U.S.-based firms. Unlike much of the academic literature, which relies on SEC Schedule 13D filings, our use of the ThomsonOne database allows us to capture campaigns targeting larger companies where activists may not be able to acquire a 5% stake and thus are not required to file a Schedule 13D.

We find that activist types select target firms based on specific characteristics such as size, profitability, and payout policies. Private equity, venture capital, individuals, and other financial institutions tend to target smaller firms compared to hedge funds, as evidenced by significantly lower market capitalization and total assets. These activists also prefer firms with lower profitability metrics, including return on assets and profit margins. In contrast, mutual funds and pension funds focus on larger, more profitable firms with stronger financial performance and higher payout yields. These distinctions suggest that different activist types employ varied strategic considerations in their target selection, aligning with their unique investment objectives and constraints.

Our event study methodology, defined in line with MacKinlay (1997), uncovers that the market response to activist announcements varies notably across activist types. Interventions by hedge funds show significant positive abnormal returns of 5% around the announcement date, consistent with prior literature. Similarly, positive market reactions are observed for private equity, venture capital, mutual funds, and other

financial institutions, indicating investor confidence in these activists' ability to enhance shareholder value. In contrast, interventions by pension funds and individual activists are associated with significantly lower abnormal returns relative to hedge funds. This finding suggests potential market skepticism regarding their effectiveness in driving value-enhancing changes.

Delving deeper, we examine the specific demands pursued by different activists and their corresponding success rates. While hedge funds, private equity firms, and other financial institutions achieve high success rates across various demand categories, individuals and pension funds exhibit notably lower success rates. Specifically, individuals and pension funds do experience lower success rates within the same demand areas also characterized by significantly lower returns. Individuals succeed in management engagement and corporate governance demands in only 56% and 43% of cases, compared to 82% and 69% for hedge funds. Pension funds perform even less effectively, with success rates as low as 29% in corporate governance initiatives. These discrepancies might imply that the market anticipates lower probabilities of successful outcomes from these activists, which is reflected in the less favorable stock price reactions.

Despite the differences in short-term market reactions, the long-term impact on firm performance appears to converge across activist types. Over the one-year period following activist announcements, firms targeted by hedge funds, private equity, venture capital, and other financial institutions continue to exhibit positive abnormal returns, with no evidence of reversal. Notably, our findings reveal no statistically significant differences in abnormal returns among activist types during this period. Analyses of accounting performance metrics further indicate limited differences across activist types in the post-intervention year.

Our findings indicate that, although the market initially reacts differently to various activist types, the longer-term effects on firm performance are largely similar across types in both market performance and operational metrics. This discrepancy between short-term and long-term outcomes suggests that investors initially perceive activist types differently, potentially due to variations in anticipated effectiveness and reputation. These findings highlight the substantial impact of underlying heterogeneity within non-hedge fund activist groups and underscore its importance for market reactions.

The rest of the paper proceeds as follows. Section I reviews the background and literature on shareholder activism. Section II describes the dataset and classification of activist types. Section III analyses the pre-event characteristics of targeted firms for each activist type. Section IV examines stock market reactions and heterogeneity among types. Section V explores the various demands and their corresponding success rates among activists. Section VI investigates market and operational changes one year from activist intervention. We conclude our findings in Section VII.

I. The Evolution of Shareholder Activism and Literature Review

Shareholder activism has undergone significant transformation over the past few decades and has become an influential force in corporate governance and financial markets. Early manifestations of activism in the 1980s were led by blockholders who

sought to improve underperforming companies through asset divestitures and share repurchases. Prominent researchers in the field, Bethel, Liebeskind, and Opler (1998) create a sample of activist blockholders, financial blockholders and strategic blockholders. Their findings demonstrate that activist blockholders differ from financial and strategic investors by aggressively targeting underperforming companies and implementing operational restructurings. This form of activism facilitated notable improvements in firm performance compared to the more passive approaches of the other defined blockholders.

The effectiveness of activist blockholders during the early period in activist history led to defensive measures taken by target firms, including the adoption of various takeover defenses. As a result, change-of-control transactions became increasingly difficult, and the frequency of hostile takeovers diminished. Soon, institutional investors such as mutual funds and pension funds began to engage in activism focused on corporate governance reforms (Karpoff, Malatesta, & Walkling, 1996). Despite their efforts, the impact of these institutions has been mixed. Studies have reported that while mutual and pension funds can affect minor changes in governance structures, their activism demands do not significantly influence stock prices or firm performance (Wahal, 1996; Karpoff, 2001; Woidtke, 2002; Gillan & Starks, 2007).

Hedge funds later emerged as prominent activists in the early 2000s, differing from traditional institutions in several key aspects. Hedge funds are privately organized investment vehicles managed by professionals who often have significant personal investments in the fund. This aligns their interests closely with those of their investors. Furthermore, hedge funds are not subject to the same regulatory constraints as mutual funds or pension funds, allowing them greater flexibility in their investment strategies. Hedge funds can thus take concentrated positions, use leverage, and employ derivatives, enabling them to exert substantial influence on target firms (Partnoy & Thomas, 2006).

Building on the rapid emergence of hedge funds, Brav, Jiang, Partnoy, and Thomas, (2008) analyze a comprehensive sample of hedge fund activism. They find that hedge funds attain abnormal returns of approximately 7% around the announcement date. These findings remain consistent across literature, with a universal acknowledgment of short-run positive stock reactions to hedge fund activism (Denes et al., 2017). One explanation for this phenomenon is that the abnormal returns reflect the market's anticipation of operational improvements, prompting positive stock reactions (Bebchuk, Brav, & Jiang, 2015). Additionally, (Krishnan, Partnoy, & Thomas, 2016) argue that the reputation of a hedge fund can enhance returns, as activists perceived as more likely to successfully execute their demands experience elevated stock prices. In contrast, Greenwood and Schor (2009) claim that the abnormal returns are mainly due to activists' success in orchestrating the sale of target firms at a premium.

Klein and Zur (2009) make a significant contribution to the literature by further expanding the scope of analysis to include a broader group of other activist types. They demonstrate that both hedge funds and other private activists generate significant positive abnormal returns around the announcement date. While they report lower abnormal returns of 5.1% for other activists compared to 10.2% for hedge funds, they find that the difference is not statistically significant. In contrast, Swanson et al. (2022) further contribute by showing that both hedge funds and other types of activists achieve

significant positive returns upon their interventions, with other activist types outperforming hedge funds, particularly when demanding the sale of the company.

Despite the inclusion of the broader category of non-hedge fund activists, the distinct activist types have rarely been compared to hedge funds. Private equity, venture capital, pension funds, mutual funds, individuals, and other financial institutions all engage in activism with varying demands and strategies (Denes, Karpoff, and McWilliams, 2017). Recognizing this gap, von Lilienfeld-Toal and Schnitzler (2020) categorize blockholders into nine distinct groups to examine their relative impacts. Their analysis reveals that while the market reacts positively to blockholder interventions across all types, differences in abnormal returns among these categories are insignificant in relation to unclassified events. However, the differences in demands, success rates, or long-term operational and market performance among activist types remain unexplored. As a result, the potential heterogeneity within the broader group of non-hedge fund activist types remains poorly understood.

II. Sample Selection and Data Description

A. The Activism Sample

We source our activism campaign data from the "Corporate Governance Market Overview," a subsection of the Thomson Reuters Eikon database, commonly referred to as ThomsonOne. The ThomsonOne database integrates information from multiple sources, including SEC Schedule 13D filings, media articles, survey data, management press releases, and dissident solicitation materials. A common approach in shareholder activism is to rely exclusively on SEC Schedule 13D filings to construct datasets. However, as Brav et al. (2008) note, this method may introduce a bias toward smaller corporations due to the 5% ownership threshold required for Schedule 13D filings. For instance, during Elliott Management's notable campaign against AT&T, Elliott attained a peak ownership stake of only 1.2%. Without the comprehensive coverage provided by the ThomsonOne database, significant activist campaigns such as this would remain undocumented.

The ThomsonOne database contains over 6,600 global activist campaigns for the analysis period, ranging from 2000 to 2022. While the ThomsonOne database covers campaigns globally, we restrict our dataset to US-based firms to minimize institutional variability and ensure consistency, as the majority of campaigns target US-headquartered companies (Barros, Guedes, Santos, & Sarmento, 2023). We concentrate the dataset to shareholder activism on regular corporations and exclude all events where the target is a closed-end fund or other non-regular corporation (e.g. Brav et al., 2008; Greenwood and Schor, 2009; Klein and Zur, 2009). Each target is then matched with CRSP for extraction of stock market returns and trading volumes. Target firms not containing CRSP data for the shortest event window analyzed in our research are eliminated. Finally, we obtain accounting data from Compustat for the firms matched in CRSP.

B. Classification

In accordance with von Lilienfeld-Toal and Schnitzler (2020), we apply a systematic approach for classification of shareholder activists and define the following categories in our sample: hedge funds, other financial institutions, private equity, individuals, venture capital, mutual funds, pension funds (including sovereign wealth funds), corporations, non-profits, insiders and unclassified. We provide a detailed description on the defined activist types in Table A.II.

Due to a lack of regulatory and institutional definitions for our defined activist types, we rely on multiple sources for classification in alignment with Klein and Zur (2009) and von Lilienfeld-Toal and Schnitzler (2020). First, we utilize available databases with classifications of private equity, venture capital and mutual funds from ThomsonOne and CRSP, and match them with our database enabling for the classification of a small portion of our sample.

For the remaining observations, we draw upon various external sources, including activists' websites, investor journals, and news articles, to further classify these entities. In instances of overlapping strategies, firms are categorized based on their primary product offerings to investors. Events that remain ambiguously classified are designated as "Unclassified" to preserve accuracy and minimize potential biases arising from subjective judgment. Although we acknowledge that the classification process may not be entirely flawless despite adhering to the approaches of Klein and Zur (2009) and von Lilienfeld-Toal and Schnitzler (2020), we maintain confidence that nearly all, if not all, of our events are accurately categorized.

As our research focuses on shareholder activism from external shareholders aimed at improving financial performance, we exclude all observations involving insiders, corporations, and non-profit activists from our analysis. Additionally, the unclassified group is omitted as it is unsuitable for comparative purposes. In alignment with established practices, we also exclude targeted financial firms (SIC codes 6000–6999) and utilities (SIC codes 4900–4999) from the sample (von Lilienfeld-Toal & Schnitzler, 2020). Ultimately, this positions our dataset of 2,640 events among the larger and most up-to-date sample sizes used in comparable research.

C. Three Examples of Shareholder Activism

To illustrate the scope of activist types analyzed in this study, we present three representative cases from our sample and how they progress over time. The first case is a hedge fund's intervention that successfully influenced AT&T's corporate strategy. The second case examines an individual activist's corporate governance initiative with The Timken Company, which was ultimately adopted despite opposition from management. The third case explores a pension fund's sustained advocacy for board diversity at Fortress Biotech Inc, which management has continued to resist. These cases highlight the diverse demands and varying levels of success across activist types, emphasizing the potential heterogeneity among activists.

C.1. Hedge Fund Activist: Elliott Investment Management L.P. and AT&T Inc.

On September 9, 2019, Elliott Investment Management L.P. disclosed a $3.2 billion stake in AT&T Inc., representing approximately 1.2% of the company's equity. In a public letter to AT&T's Board of Directors, Elliott outlined a "compelling value-creation {Citation}opportunity", criticizing AT&T's acquisition strategy, particularly the purchases of DirecTV and Time Warner, and called for a strategic review of non-core assets (Business Wire, 2019).

Elliott proposed the "Activating AT&T Plan," which included increasing strategic focus on core telecommunications services, improving operational efficiency through cost-cutting measures, adopting disciplined capital allocation prioritizing debt reduction and shareholder returns, and enhancing leadership and oversight by strengthening corporate governance practices. Elliott projected that these initiatives could elevate AT&T's share price by the end of 2021 (La Roche, 2019).

In response, AT&T acknowledged Elliott's perspectives and committed to engaging with the hedge fund. On October 28, 2019, AT&T announced measures aligned with Elliott's demands, including adding two new directors with relevant expertise, committing to achieving earnings per share (EPS) of $4.50 to $4.80 by 2022, and continuing debt reduction and capital returns to shareholders (Stelter, 2019). However, AT&T did not agree to all demands, notably opposing the divestiture of DirecTV and its Mexican wireless business. Elliott expressed support for the announced measures, stating they would create substantial and enduring shareholder value. Despite holding less than a 5% stake, Elliott significantly influenced AT&T's corporate policies.

C.2. Individual Activist: John Chevedden and The Timken Company

On March 18, 2022, The Timken Company received a shareholder proposal from John Chevedden, an individual activist investor. The proposal requested that the company amend its articles of incorporation and code of regulations to replace any supermajority voting requirements with a simple majority vote requirement.

In its communication to shareholders, Timken's board recommended voting against the proposal, expressing concerns that eliminating supermajority provisions could increase the company's vulnerability to hostile takeovers and actions misaligned with shareholders' long-term interests (The Timken Company, 2022). Despite the board's opposition, the proposal was presented at the annual meeting on May 6, 2022. A majority of shareholders voted in favor of Chevedden's proposal, resulting in its approval.

C.3. Pension Fund Activist: California Public Employees Retirement System (CalPERS) and Fortress Biotech Inc.

On June 3, 2020, California Public Employees Retirement System (CalPERS) issued a public letter to Fortress Biotech Inc. shareholders, announcing its intention to vote against the re-election of four directors at the Annual General Meeting (AGM). These include Lindsay A. Rosenwald (Board Chair), J. Jay Lobell, Dov Klein, and Malcolm Hoenlein (Nominating and Corporate Governance Committee members). CalPERS cited the board's inadequate response to multiple requests for enhancing board diversity as the primary reason for its stance (Fortress Biotech Inc, 2020).

CalPERS defined board diversity to include skill sets, gender, age, nationality, race, sexual orientation, gender identity, and representation from historically under-represented groups. The pension fund argued that a diverse board enhances effective oversight and supports the execution of long-term business strategies. To substantiate its position, CalPERS referenced studies indicating that increased gender and racial diversity within companies is strongly associated with higher financial returns. Despite CalPERS' efforts, the majority of shareholders continued to support the incumbent directors in subsequent annual general meetings.

D. Descriptive Statistics

Table I outlines the construction and characteristics of activist types for our sample. As outlined in Panel A, we begin with 6,621 activist campaigns. We then exclude campaigns targeting non-U.S. firms, campaigns involving targeted funds, and campaigns not matched with CRSP data.

Panel B summarizes the distribution of investor types in our sample. We exclude campaigns involving corporations, insiders, and non-profit activists as they remain outside the research question of this paper. Activist types labeled as unclassified, due to insufficient classification confidence, are further excluded resulting in zero filtered counts for these categories. After filtering, the total sample comprises 2,640 activist campaigns. Hedge funds represent the largest category within our sample, accounting for approximately 63% of activist events. Nonetheless, a significant 37% of activist campaigns are carried out by other types of activists, underscoring the importance of further investigating this category.

Panel C presents the annual distribution of activist events categorized by activist type. The analysis reveals a consistent increase in frequency of activist events over time, with the majority of events occurring within the past decade. The upward trend is consistent across all activists. This underscores the importance of using an up-to-date dataset to accurately capture the evolution of activism.

Table I
Descriptive Statistics

This table reports descriptive statistics for our sample, its activist type classification, annual distribution of events, and demands per activist type. Panel A summarizes the sample construction of shareholder activist events. Panel B summarizes the classification and filtering of activist types, illustrating our final sample. Panel C displays the annual distribution of activist events by activist type. Panel D summarizes the distribution and proportion of demands across activists. Proportions are expressed as a percentage of all demands pursued by the activist type. Demands are not mutually exclusive, each event may encompass multiple demands, but every event includes at least one demand.

Panel A: Sample Construction

Sample Criteria	Number of Events
All activist campaigns	6,621
Less: Non-US targets	(1,680)
Less: Targeted funds	(364)
Less: Not matched with CRSP	(678)
Total	3,899

Panel B: Investor Type Classification Summary

Activist Type	Initial Count	Filtered Count
Hedge fund	2,012	1,667
Other Financials	467	371
Unclassified	320	0
Individual	290	235
Private Equity	274	242
Corporation	202	0
Insider	102	0
Non-profit	85	0
Venture Capital	79	75
Mutual fund	39	30
Pension fund	29	20
Total	3,899	2,640

Panel C: Annual Distribution of Activist Events by Activist Type

Year	Hedge fund	Other Financials	Private Equity	Individual	Venture Capital	Mutual Fund	Pension Fund	Total
2000	0	3	0	1	1	0	0	5
2001	4	2	0	4	2	0	0	12
2002	6	1	1	8	0	0	0	16
2003	12	2	1	2	1	0	0	18
2004	10	5	3	3	0	0	0	21
2005	21	3	5	0	2	0	0	31
2006	35	8	3	3	0	0	0	49
2007	50	10	7	3	1	0	0	71
2008	52	13	6	2	4	0	0	77
2009	46	7	5	6	1	0	0	65
2010	49	15	11	4	1	1	0	61
2011	74	18	11	10	1	0	0	114
2012	100	20	19	15	8	2	0	164
2013	76	19	10	7	5	2	0	119
2014	109	16	9	8	0	1	0	143
2015	150	26	18	13	1	1	0	209
2016	113	29	21	6	6	2	0	177
2017	140	25	17	13	7	1	0	203
2018	160	25	13	12	5	6	0	221
2019	127	25	21	16	3	3	5	200
2020	118	26	17	17	6	2	3	189
2021	105	32	12	22	7	3	3	184
2022	110	41	31	60	13	6	9	271
Total	1667	371	242	235	75	30	20	2640

Panel D: Demand Frequency and Proportion by Investor Type

Activist Type	Sale Demand	Engage Management	Corporate strategy
Hedge fund	139 [8.3%]	805 [48.3%]	190 [11.4%]
Other Financials	30 [8.1%]	169 [45.6%]	44 [11.9%]
Private Equity	24 [9.9%]	125 [51.7%]	20 [8.3%]
Individual	9 [3.8%]	93 [39.6%]	11 [4.7%]
Venture Capital	9 [12.0%]	32 [42.7%]	6 [8.0%]
Mutual fund	0 [0.0%]	8 [26.7%]	5 [16.7%]
Pension fund	0 [0.0%]	1 [5.0%]	0 [0.0%]
Total	211 [6.0%]	1,233 [37.1%]	276 [8.7%]

Values are in the format: Events with Specific Demand;[Proportion of all events %]

Panel D — *Continued*

Activist Type	Board Composition	Corporate Governance	Other Demands
Hedge fund	764 [45.8%]	343 [20.6%]	5 [0.3%]
Other Financials	133 [35.9%]	114 [30.7%]	1 [0.3%]
Private Equity	91 [37.6%]	43 [17.8%]	1 [0.4%]
Individual	78 [33.2%]	100 [42.6%]	1 [0.4%]
Venture Capital	26 [34.7%]	19 [25.3%]	0 [0.0%]
Mutual fund	5 [16.7%]	15 [50.0%]	0 [0.0%]
Pension fund	0 [0.0%]	19 [95.0%]	0 [0.0%]
Total	1,097 [29.1%]	653 [40.3%]	8 [0.2%]

Values are in the format: Events with Specific Demand;[Proportion of all events %]

Panel D provides a breakdown on the distribution of demands made by various activist types, expressed as a percentage of total events for each category. Since demands are not mutually exclusive, each activist event may encompass multiple demands, but every event includes at least one demand.

Demands are categorized using the methodology developed by Swanson et al. (2022). Sale demand encompasses actions in which activists pursue hostile acquisitions and forced sales. Engage management refers to instances where activists engage in discussions with management to explore alternatives without advocating a specific agenda. Corporate strategy includes events where activists oppose sales, influence strategic decisions, or initiate spinoffs. Board composition involves demands for board seats or efforts to alter the composition of the board. Corporate governance covers demands related to shareholder rights or the opposition of excessive CEO compensation. Lastly, other demands comprise requests that do not fit into any of the categories.

Panel D illustrates that sale demands exhibit significant variation across activist types. Compared to hedge funds, sale demands are uncommon among individual investors, mutual funds, and pension funds. In contrast, private equity and venture capital firms pursue sale demands more frequently, with sale demands accounting for 12% of venture capital activity in our sample. This finding bring explanatory value to the contrasting conclusions of Greenwood and Schor (2009) and Swanson et al. (2022). The former document a higher frequency of sale demands by hedge funds, whereas the latter report a nearly twice as high proportion of sale demands for other activist types relative to hedge funds. Our statistics suggests that the divergence in findings may be attributed to the heterogeneity among non-hedge fund activists.

A uniform pattern is observed among hedge funds, private equity firms, venture capital firms, and other financial institutions across most demand types, suggesting that these categories adopt similar strategies in their activist activities. Notably, hedge funds allocate a greater proportion of their efforts to changes in board composition (45.8%), whereas private equity and venture capital firms place relatively less emphasis on corporate strategy demands. Individual investors and pension funds demonstrate notable similarities in their demands. Compared to other activist types, their efforts are predominantly directed toward engaging with management and advocating for corporate governance reforms. Specifically, pension funds exhibit a pronounced focus on corporate governance initiatives, with 95% of their demands falling into this category.

III. Characteristics of Firms Targeted by Shareholder Activists

A. Summary Statistics and Univariate Tests

Having established that other activists initiate various types of demands in relation to hedge funds, we seek to further understand the characteristics of the companies they target. Specifically, we investigate whether our defined activist types target different firms compared to hedge funds. Understanding these differences is essential for evaluating how distinct activist strategies translate into target selection in practice. To address this question, we analyze characteristics of accounting variables covering the areas of size, growth, profitability, leverage, liquidity, shareholder payouts and expenditures. All variables are measured using data from the fiscal year immediately preceding the announcement date of each targeted firm.

We begin by examining firm size using market capitalization and total assets as metrics. Table II indicates that private equity, other financial institutions and venture capital target smaller firms compared to hedge funds, with both mean and median differences in market capitalization and total assets being significant at the 1% level. Similarly, individual activists prefer smaller firms relative to hedge funds. These findings are consistent with Klein and Zur (2009). In contrast, we find that mutual funds and pension funds in our sample focus on larger firms relative to hedge funds, illustrating the differences among non-hedge fund activists.

Next, we analyze profitability using return on assets (ROA) and profit margin. Table II reveals that individuals, other financials, and venture capital firms select firms with lower ROA and profit margins compared to hedge funds with these differences being statistically significant. Specifically, we find that venture capital target firms with the lowest ROA, reporting a median value of -4.3%. Interestingly, venture capital targets also exhibit the highest cash-to-asset ratio. However, we believe this is more attributable to their low asset base. These findings align with Bethel, Liebeskind, and Opler (1998) and Klein and Zur (2009) who observe that other activist types are more likely to target firms with relatively low financial performance metrics, indicating a strategic focus on companies with room for financial improvement.

Conversely, mutual funds and pension funds prioritize firms with stronger profitability metrics. This aligns with their investment mandates, which emphasize stability and established financial performance to manage risk and deliver consistent, long-term returns (Wahal, 1996). Additionally, pension funds target companies with significantly higher dividend- and payout yields compared to hedge funds. We find that hedge fund targets have a median payout yield of 1.1%, whereas pension fund targets exhibit a higher payout yield of 4.1%, with this difference being significant at the 1% level.

By distinguishing among activist investors, we demonstrate that activist types select targets based on specific financial characteristics such as size, profitability, and payout policies. This finding of heterogeneity in selection of target firms align with differences in demands and support the hypothesis that non-hedge fund activists exhibit distinct differences.

Table II
Characteristics of Target Firms Prior to The Announcement Date

This table presents the characteristics of target firms for all activist types. Detailed definitions of accounting variables are presented in Table A.I. For each variable, we report the mean and [median] values for hedge fund targets and compare them with those of our other activist types. We also provide t-statistics and [Z-statistics] testing for differences between hedge fund targets and each other activists' targets. The t-statistics assess differences in means assuming unequal variances, while the Z-statistics are from Wilcoxon rank-sum test, which do require the assumption of normal distributions and assesses differences in medians. All data are winsorized at the 1% and 99% levels. ***significant at the 0.01 level; **significant at the 0.05 level; *significant at the 0.10 level

Variable	Hedge Fund	Other Financials		Private Equity		Individual		Venture Capital		Mutual Fund		Pension Fund	
	(1)	(2)	(1) – (2)	(3)	(1) – (3)	(4)	(1) – (4)	(5)	(1) – (5)	(6)	(1) – (6)	(7)	(1) – (7)
Ln(Market Cap)	6.861 [6.686]	6.402 [5.926]	3.419*** [4.564]***	6.051 [5.987]	6.63*** [5.444]***	6.54 [5.402]	1.49 [4.118]***	5.416 [5.286]	7.217*** [5.816]***	8.343 [8.669]	-2.356** [-2.433]**	11.11 [12.156]	-8.122*** [-6.08]***
Ln(Assets Total)	7.038 [6.859]	6.66 [6.193]	2.883*** [3.812]***	6.315 [6.38]	5.887*** [4.988]***	6.78 [6.107]	1.298 [2.75]***	5.625 [5.41]	7.502*** [5.862]***	8.393 [8.229]	-2.506** [-2.551]***	10.921 [12.094]	-7.205*** [-5.84]***
Tobin's Q	1.795 [1.433]	1.729 [1.364]	0.979 [2.041]**	1.684 [1.407]	1.456 [1.325]	1.997 [1.386]	-1.786* [0.677]	1.915 [1.287]	-0.593 [1.446]	2.261 [1.333]	-1.255 [-0.177]	2.517 [1.708]	-1.79* [-2.33]**
Sales Growth	0.082 [0.04]	0.077 [0.013]	0.245 [2.165]**	0.111 [0.044]	-1.014 [-0.371]	0.106 [0.041]	-0.764 [-0.507]	0.201 [0.055]	-1.547 [-0.619]	0.117 [0.085]	-0.639 [-1.418]	0.149 [0.129]	-1.254 [-2.346]**
ROA	-0.007 [0.044]	-0.054 [0.025]	3.047*** [3.705]***	-0.01 [0.034]	0.229 [1.619]	-0.072 [0.03]	2.881*** [1.846]*	-0.249 [-0.043]	4.76*** [6.611]***	0.022 [0.054]	-1.097 [-0.315]	-0.001 [0.076]	-0.071 [-2.345]**
Profit Margin	-0.395 [0.046]	-0.546 [0.028]	0.843 [3.225]***	-0.352 [0.034]	-0.228 [2.208]**	-0.907 [0.041]	1.745* [0.386]	-1.397 [-0.02]	1.771* [5.238]***	-0.055 [0.043]	-2.384** [-0.603]	-1.329 [0.101]	0.703 [-2.49]**
Market Leverage	0.247 [0.186]	0.25 [0.205]	-0.184 [-0.06]	0.255 [0.155]	-0.464 [-0.01]	0.265 [0.18]	-0.968 [-0.478]	0.249 [0.164]	-0.064 [0.62]	0.236 [0.181]	0.271 [-0.081]	0.208 [0.145]	1.012 [0.124]
Book Leverage	0.392 [0.324]	0.379 [0.335]	0.588 [0.458]	0.398 [0.289]	-0.224 [0.219]	0.445 [0.39]	-1.749* [-1.622]	0.372 [0.211]	0.342 [1.316]	0.383 [0.384]	0.19 [-0.665]	0.474 [0.467]	-1.152 [-1.558]
Cash/Assets	0.208 [0.117]	0.223 [0.122]	-1.057 [-0.485]	0.212 [0.123]	-0.227 [0.84]	0.235 [0.121]	-1.508 [-0.955]	0.378 [0.323]	-4.385*** [-4.305]***	0.189 [0.15]	0.615 [-0.708]	0.209 [0.135]	-0.031 [0.114]
Dividend Yield	0.011 [0]	0.01 [0]	0.45 [0.255]	0.011 [0]	0.056 [1.627]	0.014 [0]	-1.694* [-1.572]	0.009 [0]	0.405 [1.862]*	0.011 [0]	-0.207 [-0.26]	0.019 [0.011]	-1.594 [-2.465]**
Payout Yield	0.033 [0.011]	0.027 [0.007]	1.836* [1.886]*	0.032 [0.006]	0.222 [1.733]*	0.032 [0.007]	0.321 [2.064]**	0.031 [0]	0.239 [2.548]**	0.025 [0.015]	1.215 [-0.296]	0.052 [0.041]	-1.953* [-3.021]***
CapEx/ Sales	0.046 [0.028]	0.052 [0.03]	-1.664* [-0.667]	0.058 [0.034]	-2.521** [-1.552]	0.04 [0.023]	1.436 [2.762]***	0.038 [0.02]	1.28 [2.29]**	0.042 [0.031]	0.554 [-0.695]	0.041 [0.032]	0.576 [-0.135]
OpEx/ Assets	1.313 [0.905]	1.443 [0.923]	-0.739 [-1.881]*	1.259 [0.922]	0.291 [-1.561]	1.825 [0.92]	-1.762* [-0.799]	2.27 [0.964]	-1.725* [-3.922]***	0.975 [0.911]	2.572** [0.249]	2.23 [0.815]	-0.697 [2.537]**

IV. Market Response to Activist Announcements

A. Abnormal Stock Returns Surrounding the Shareholder Activism Announcement

A key question in evaluating activist interventions is whether activists are able to generate value for shareholders. To assess this, we analyze abnormal stock returns surrounding activist investment announcements across types. We define the announcement date as the moment when information about the campaign become public, either through a Schedule 13 D filing or other reliable source. Additionally, we examine abnormal trading volumes around these announcements to examine whether investors perceive these interventions as sufficiently impactful to prompt changes in their holdings. By analyzing both price and volume reactions, we aim to uncover the market's perception of activism and its alignment with short-term value creation.

To analyze abnormal returns we apply an event study methodology outlined by MacKinlay (1997). We use an estimation window spanning from -120 to -21 trading days prior to the announcement date, providing a 100-day period for estimation of risk factor loadings. Specifically, we estimate factor loadings for the four factors RMRF, SMB, HML, and the momentum factor, MOM, as described in Carhart (1997).

Our event window is defined in line with Swanson et al. (2022), ranging from -10 trading days to +5 trading days surrounding the announcement date. We compute abnormal returns during the event window as the difference between expected returns, based on the estimated factor loadings, from the actual returns for each firm on each trading day. The abnormal returns are further aggregated to cumulative abnormal returns (CAR) for each activist type.

Moreover, we define normal trading volume as the average trading volume over the same estimation window spanning from -120 to -21 trading days prior to the announcement date. Finally, abnormal volume is measured as the percentage increase in trading volume during the event window (-10, +5) relative to the normal trading volume.

Figure 1 reveals varying market responses to activist announcements based on activist type. Consistent with prior literature (e.g. Brav et al., 2008; Swanson et al., 2022; von Lilienfeld-Toal and Schnitzler, 2020), we observe significant positive abnormal returns of approximately 5-7% by the end of the event window for hedge funds, private equity, venture capital, mutual funds, and other financials. This positive response reflects investor confidence in these activists' ability to enhance firm value.

Interestingly, hedge funds exhibit a pre-announcement run-up in abnormal returns, significant at the 1% level as early as day -5 (see Table A.III). There is no such significant pattern for any other activist type. This finding aligns with the "wolf pack" hypothesis, where hedge fund activists coordinate or independently acquire stakes in anticipation of activism interventions (Brav, Dasgupta, & Mathews, 2015; Wong, 2019).

The two activist categories that do not display a similar abnormal return pattern are individuals and pension funds. While pension funds do not exhibit statistically significant abnormal returns (see Table A.III), potentially due to limited statistical power, individual activists generate significant abnormal returns around the event day at the 5% significance level. However, their highest achieved abnormal return during the event window is only 2.06%, observed on day one. The relatively lower t-statistic for individual activists,

despite the large sample size of 235 observations, may reflect substantial heterogeneity within this category. Specifically, this indicates that some individual activists might be perceived by the market as highly credible, while others are not, resulting in varying market reactions to their actions.

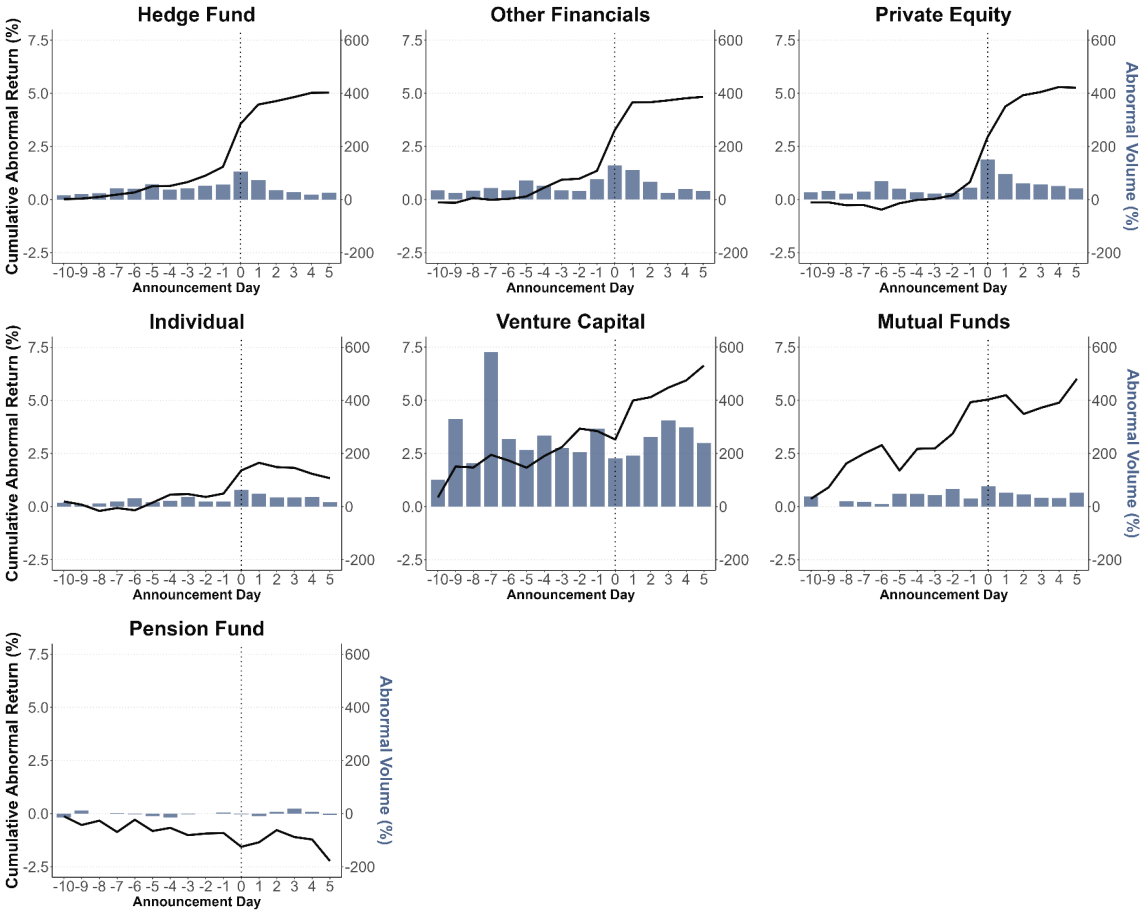


Figure 1. Abnormal Returns and Abnormal Trading Volume by Activist Type. This figure presents the abnormal returns, for each defined activist type over the event window spanning from -10 trading days to +5 trading days relative to the announcement date, as depicted on the left y-axis. The bars (right axis) plot the increase in the share trading volume during the same event window. All data are winsorized at the 1% and 99% levels.

Figure 1 also reports the abnormal volume for each trading day. We find that for all activist types except pension funds, the investment is accompanied by substantial increases in trading volume on the announcement day of up of around 150% for hedge funds, private equity, and other financials. This surge in trading activity indicates heightened investor interest and suggests that the market anticipates value creation from their involvement. This is in line with the findings of Brav et al. (2008). The effect is still prevalent but to a lesser extent for mutual funds and individuals. Interestingly, we see higher abnormal volumes throughout the full event window for venture capital. This pattern suggests the influence of additional, unexamined factors and may be linked to smaller target firms with low baseline trading volumes.

Our results highlight distinct market reactions to activist announcements. Significant positive abnormal returns for hedge funds, private equity, venture capital, mutual funds, and other financials indicate the market's favorable view of their activism in the short term. On the other hand, the weaker response for individuals and pension funds underscores skepticism about their ability to enhance firm performance.

B. Differences in Abnormal Stock Returns Among Investor Types

In this section we aim to further assess if the different market responses among activist types is robust. Specifically, we conduct a cross-sectional regression analysis to examine the influence of activist type in abnormal returns around activist disclosure. The dependent variable across all specifications is the abnormal return for each event within the defined event window. Our regression specifications include dummy variables for all activist types, excluding hedge funds, which serve as the reference category.

Moreover, we implement a set of firm-specific control variables that may influence abnormal returns. We control for firm size, profitability, leverage, Tobin's Q, cash-to-assets ratio, and payout yield. Additionally, we incorporate Year-Month fixed effects to control for time-specific factors, and three-digit SIC industry fixed effects to account for industry-specific influences. Standard errors are clustered at the three-digit SIC industry level to address potential within-industry correlations. These specifications aim to isolate the effect of activist type on abnormal returns, ensuring that our results are not driven by underlying firm characteristics or broader industry and temporal trends.

In Column (1) of Table III, the basic specification includes dummy variables for various activist types, excluding hedge funds. The results indicate that individual and pension fund activists have significant negative coefficients of -3.74% and -7.53%, respectively, both significant at the 1% level. This suggests that activist events involving individual and pension fund investors are associated with significantly lower abnormal returns compared to events involving hedge funds. Other activist types, such as private equity, venture capital, other financials, and mutual funds, do not exhibit statistically significant differences in abnormal returns relative to the hedge fund reference group.

Column (2) restricts the sample to events where accounting information is available prior to the event, reducing the number of observations from 2,640 to 2,413. The results remain consistent with those in Column (1). In Column (3), time fixed effects are introduced for Year-Month. The coefficients for individual and pension fund activists remain negative and statistically significant, demonstrating that the negative association of these activist types with abnormal returns are robust to the inclusion of time-specific controls.

Column (4) adds industry fixed effects at the three-digit SIC code level, controlling for industry-specific influences on abnormal returns. The coefficients for individual and pension fund activists remain negative and statistically significant, although the significance level for individual activists decreases to the 5% level. This adjustment does not substantially alter the estimated effects, reinforcing the robustness of the negative association.

Table III
Cross-Sectional Regressions of Abnormal Returns

This table presents the cross-sectional regression results. The dependent variable is abnormal returns around activist events, measured from trading day -10 to +5. The regressions include dummy variables for different activist types, excluding hedge funds, which serve as the reference category. Time fixed effects are included at the Year-Month level, and industry fixed effects are applied based on three-digit SIC codes. Standard errors are clustered at the three-digit SIC industry level. Control variables such as firm size, profitability, leverage, Tobin's Q, cash-to-assets ratio, and payout yield are incorporated to account for firm-specific characteristics, using data from the last available fiscal year' prior the announcement date. All data are winsorized at the 1% and 99%. ***significant at the 0.01 level; **significant at the 0.05 level; *significant at the 0.10 level

	Cumulative Abnormal Return -10/+5 trading days				
	(1)	(2)	(3)	(4)	(5)
Constant	0.0509***	0.0524***			
	(13.20)	(15.24)			
Other Financials	-0.0046	-0.0053	−7.52e 5	0.0060	0.0044
	(-0.5678)	(-0.6416)	(-0.0080)	(0.5570)	(0.3999)
Private Equity	0.0020	-0.0032	-0.0079	-0.0054	-0.0079
	(0.2372)	(-0.3764)	(-0.8011)	(-0.6178)	(-0.8880)
Individual	-0.0374***	-0.0374***	-0.0406***	-0.0365**	-0.0380**
	(-3.109)	(-3.181)	(-2.758)	(-2.304)	(-2.437)
Venture Capital	-0.0087	-0.0219	-0.0280	-0.0274	-0.0317
	(-0.2775)	(-0.8468)	(-0.8580)	(-0.7790)	(-0.9291)
Mutual Fund	0.0069	-0.0116	-0.0045	-0.0047	0.0009
	(0.1969)	(-0.2788)	(-0.1109)	(-0.1156)	(0.0218)
Pension Fund	-0.0753***	-0.0739***	-0.0885***	-0.0906***	0.0812***
	(-3.877)	(-3.601)	(-3.269)	(-3.500)	(-3.088)
Ln(Market Cap)					-0.0029*
					(-1.900)
Tobin's Q					-0.0019
					(-0.8934)
ROA					0.0041***
					(9.751)
Book Leverage					0.0011***
					(2.752)
Cash/Assets					0.0093
					(0.3337)
Payout Yield					0.0306
					(0.9821)
Time F.E.	No	No	YearMonth	YearMonth	YearMonth
Industry F.E.	No	No	No	SIC3	SIC3
Clustered SE	SIC3	SIC3	SIC3	SIC3	SIC3
Observations	2,640	2,413	2,413	2,413	2,413
R^2	0.00676	0.00728	0.11752	0.20145	0.20712

Ultimately, in Column (5), firm-level control variables are incorporated to account for company specific characteristics. We provide a detailed description of the accounting variables in Table A.I. The results show that Ln(Market Cap) is negative and significant

at the 10% level, ROA is positive and highly significant at the 1% level, and book leverage is positive and significant at the 1% level. Tobin's Q, cash/assets, and payout yield do not significantly affect abnormal returns. Importantly, after controlling for these firm-specific factors, the negative coefficients for individual and pension fund activists remain statistically significant. This highlights the robustness of the finding that these activist types are associated with lower abnormal returns around activist events, supporting the hypothesis of heterogeneity among non-hedge fund activists.

V. What Demands do Activists Pursue and Are They Successful?

The preceding analysis in section IV highlights significant discrepancies in abnormal returns across different types of activists. Specifically, individuals and pension funds are associated with lower abnormal returns. Several potential explanations could account for these differences. In this section, we delve deeper into this phenomenon by examining the nature of demands made by defined activist types and their respective success rates.

A. Abnormal Stock Returns by Campaign Demand

In this section we examine whether the observed differences between activist types persist across all demand categories or are concentrated in specific ones. In Table IV, we report abnormal returns for the -10 through +5 period surrounding the announcement date, by the demands specified in Table I Panel D. Moreover, we test for differences in mean and median for all activist types in relation to hedge funds to examine potential heterogeneity among the various activists. Due to the small number of occurrences in certain cells, we concentrate only on abnormal returns with a minimum of 11 occurrences (Klein & Zur, 2009).

Notably, Table IV reveal differences in abnormal returns for target firms associated with other financial institutions compared to hedge funds. Specifically, other financial institutions exhibit significantly lower abnormal median returns for corporate strategy and engage management demands. These findings highlight that other financial institutions are not uniformly similar to hedge funds, but rather exhibit meaningful differences in their market impact that vary based on the type of demand pursued.

An important pattern emerging from Table IV is that individuals and pension funds remain inferior in terms of abnormal returns compared to hedge funds. Interestingly, the disparities are not consistent across all types of demands but are significantly lower in areas related to management engagement and corporate governance. While individuals achieve significantly lower abnormal returns in the context of management engagement and corporate governance demands, pension funds experience significantly lower mean abnormal returns of -1.88% for corporate governance-related demands. These findings are consistent with Wahal (1996), who documents similar return patterns for pension funds, and further contribute by demonstrating that individual activists exhibit comparable trends.

Contrary to the results reported by Swanson et al. (2022), we find that sale demands by other activist types are not significantly different from those of hedge funds across all

types. Rather, the results indicate that the heterogeneity stems from non-sale demands, such as management engagement and corporate governance initiatives.

Table IV
Abnormal Returns by Demand and Investor Type

This table presents mean [median] abnormal returns for target firms around activist announcement, measured from trading day -10 to +5. Abnormal returns are presented for each demand across all activist types. The demands are not mutually exclusive as one activist event can target multiple issues, although every event includes at least one demand. The table provides t-statistics and [Z-statistics], testing for differences between hedge fund targets and the other activist types. The t-statistics assess differences in means assuming unequal variances, while the Z-statistics are from Wilcoxon rank-sum test, which do not require the assumption of normal distributions. All data are winsorized at the 1% and 99% levels. *** significant at the 0.01 level; ** significant at the 0.05 level; * significant at the 0.10 level.

Demand Type	Hedge Fund	Other Financials	Difference	Private Equity	Difference	Individual	Difference
	(1)	(2)	(1) – (2)	(3)	(1) – (3)	(4)	(1) – (4)
Sale Demand	7.053 [6.925] N=139	7.982 [7.078] N=30	-0.3 [-0.34]	10.08 [7.23] N=24	-0.99 [-0.58]	11.998 [6.703] N=9	-0.82 [0.73]
Engage Management	5.78 [4.977] N=805	4.335 [2.865] N=169	1.04 [1.72]*	5.227 [4.844] N=125	0.38 [0.47]	1.32 [2.108] N=93	2.28** [2.69]***
Corporate Strategy	6.054 [6.095] N=190	2.66 [0.983] N=44	1.64 [2.11]**	3.395 [4.682] N=20	1.23 [1]	0.576 [-1.572] N=11	1.29 [1.14]
Board Composition	4.844 [4.036] N=764	4.952 [4.047] N=133	-0.09 [-0.07]	5.608 [5.104] N=91	-0.48 [-0.18]	2.225 [1.996] N=78	1.2 [1.17]
Corporate Governance	5.231 [3.253] N=343	5.436 [3.485] N=114	-0.14 [-0.21]	4.018 [5.188] N=43	0.45 [-0.51]	0.134 [-0.872] N=100	3.28*** [3.44]***
Other Demand	7.296 [3.275] N=5	20.872 [20.872] N=1		1.747 [1.747] N=1		2.308 [2.308] N=1	

Table IV – *Continued*

Demand Type	Venture Capital	Difference	Mutual Fund	Difference	Pension fund	Difference
	(5)	(1) – (5)	(6)	(1) – (6)	(7)	(1) – (7)
Sale Demand	6.063 [7.607] N=9	0.13 [-0.19]	N=0		N=0	
Engage Management	0.696 [1.336] N=32	0.85 [0.85]	17.769 [13.137] N=8	-1.24 [-1.28]	-13.035 [-13.035] N=1	
Corporate Strategy	7.013 [0.8] N=6	-0.13 [0.24]	-0.282 [-2.094] N=5	1.11 [1.09]	N=0	
Board Composition	4.214 [1.719] N=26	0.15 [0.52]	0.655 [2.146] N=5	0.69 [0.45]	N=0	
Corporate Governance	7.577 [2.012] N=19	-0.42 [0.04]	3.392 [1.303] N=15	0.73 [0.65]	-1.882 [-2.236] N=19	3.22*** [2.49]**
Other Demand	N=0		N=0		N=0	

B. Potential Explanation for Demand Discrepancies

The differences in short-term returns across specific demand types may stem from various factors. One potential explanation is that activists such as other financial institutions, individuals, and pension funds are relatively less successful in achieving their stated demands. Consequently, the market may react less favorably to demands initiated by these groups if their actions are perceived as less likely to result in successful outcomes. Outcomes are categorized as victories or failures with classifications derived from the ThomsonOne database. We define successful events as instances where the activist achieves a clear and conclusive victory. Additionally, events resulting in partial success or a settlement favoring the activist's objectives are also categorized as successes.

Table V
Success Percentage and Transaction Count by Demand and Activist Type

Table V presents the success rates and transaction counts for different demand types across activist types. The demand types are not mutually exclusive, as a single event may involve multiple demands, while each event includes at least one demand. The transaction count reflects events where an outcome, either success or failure, has been concluded, with pending events excluded. Success rates are calculated as the number of successful demands divided by the sum of successful and failed demands, excluding pending demands.

Demand Type	Hedge Fund	Other Financials	Private Equity	Individual
Sale Demand	84 [67%]	21 [52%]	17 [65%]	5 [40%]
Engage Management	308 [82%]	50 [74%]	37 [84%]	39 [56%]
Corporate Strategy	123 [56%]	26 [35%]	11 [73%]	8 [75%]
Board Composition	650 [77%]	103 [76%]	72 [79%]	53 [64%]
Corporate Governance	209 [69%]	61 [66%]	20 [65%]	56 [43%]
Other Demand	4 [50%]	1 [100%]	1 [100%]	1 [0%]
Total	1378 [74%]	262 [67%]	158 [77%]	162 [54%]

Table V – *Continued*

Demand Type	Venture Capital	Mutual Fund	Pension Fund
Sale Demand	6 [67%]	0 [0%]	0 [0%]
Engage Management	10 [70%]	1 [100%]	0 [0%]
Corporate Strategy	4 [0%]	2 [0%]	0 [0%]
Board Composition	20 [55%]	3 [0%]	0 [0%]
Corporate Governance	8 [50%]	4 [0%]	7 [29%]
Other Demand	0 [0%]	0 [0%]	0 [0%]
Total	48 [54%]	10 [10%]	7 [29%]

Table V presents evidence that hedge funds, private equity firms, and other financial institutions consistently achieve higher success rates relative to other investor types. Notably, hedge funds demonstrate a robust and consistent track record across various demand categories, a finding that reinforces the conclusions of Brav et al. (2008). Specifically, hedge funds attain an overall success rate of 74% across all demand types, while private equity firms and other financial institutions achieve success rates of 77% and 67%, respectively.

One notable deviation emerges for other financial institutions in the corporate strategy category, where their success rate drops to 35%. This observation aligns with the results in Table IV, which identified corporate strategy as a category where other financial institutions significantly underperform relative to hedge funds. A similar pattern is evident for individuals and pension funds, as the categories with significantly lower abnormal returns compared to hedge funds also correspond to substantially lower success rates. Specifically, these include demands related to engaging management and corporate governance. Individuals succeed in engaging management in 56% of cases, compared to 82% for hedge funds, and achieve a success rate of 43% in corporate governance, significantly below the 69% success rate of hedge funds. Pension funds perform even worse, with only a 29% success rate in corporate governance demands.

These results lend support to the hypothesis that variations in returns across demand categories may be attributable to market anticipation of substantial differences in success rates (Krishnan et al., 2016). However, without the exact dates of success in our data, we cannot conclude with certainty that market anticipation is the sole explanation for the observed return differentials across demands.

VI. Abnormal Returns and Operational Changes One Year Following Activist Intervention

While examining the short-term effects of activist announcements provides valuable insights into immediate market reactions, it is equally important to assess whether these effects are sustainable on a longer time horizon or subject to reversal. Understanding the persistence of initial market reactions offers a deeper perspective on activists' ability to create enduring value. This section investigates these dynamics over the one-year period following activist disclosures, analyzing both market performance and operational outcomes across different activist types.

A. Stock Return Performance in the Following Year After Activist Intervention

Similarly to the methodology applied in Section IV, we perform an analysis of abnormal returns to further examine the market performance of target firms in the subsequent year following activist intervention. We estimate the loadings of monthly returns on the Fama-French-Carhart four-factor model over the (-37, -2) month window prior to the intervention (Swanson et al., 2022). Using these estimated factor loadings, we calculate the abnormal returns over the (-1, +12) month window surrounding the announcement month.

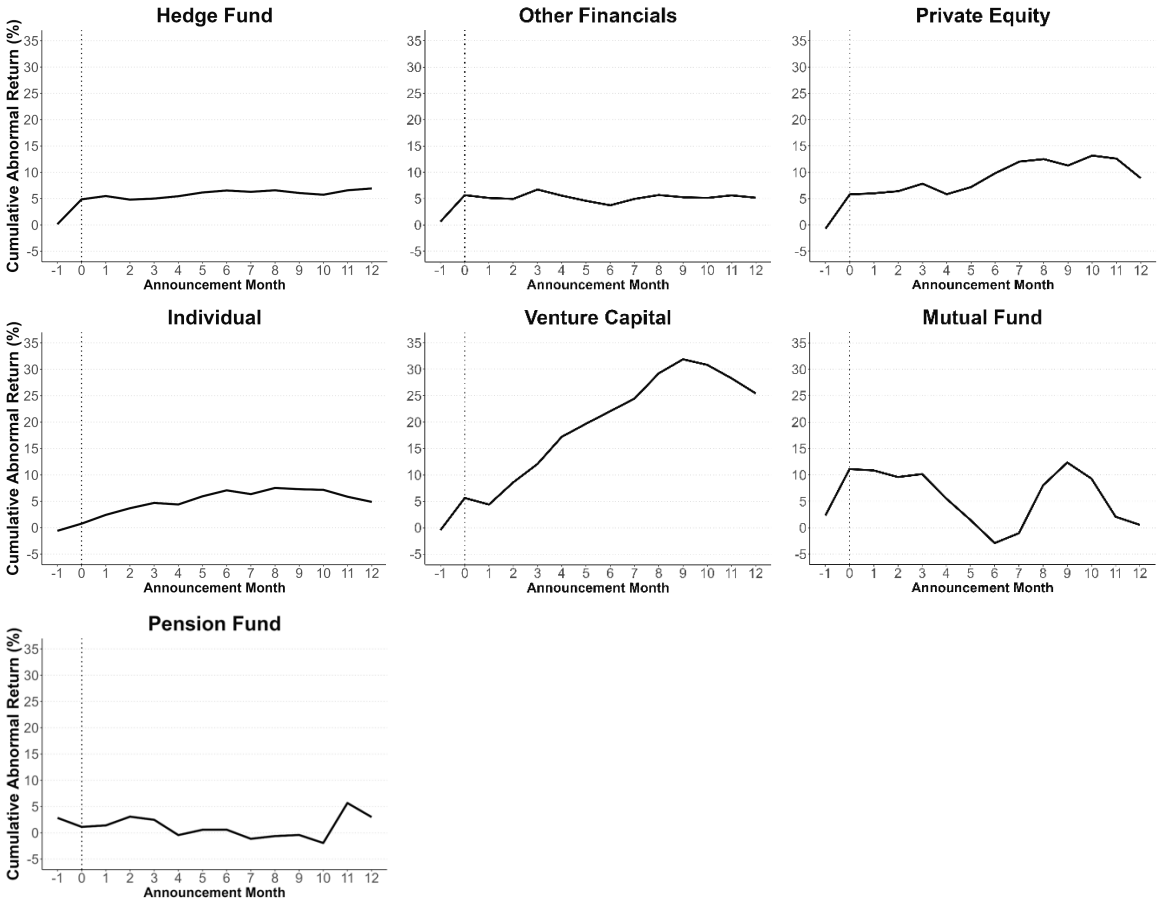


Figure 2. Abnormal Returns in the Following Year After Activist Intervention by Activist Type. This figure presents the abnormal return for each activist type over the event window spanning from -1 month to +12 months relative to the announcement month. All data are winsorized at the 1% and 99% levels.

Figure 2 illustrates that firms targeted by hedge funds, private equity, other financials and venture capital all exhibit a positive stock reaction in abnormal return at the announcement month (Month 0). Interestingly, targets of these activists experience an upward trend continuing for several months after the initial stock reaction. For hedge funds the growth is steady and sustained without signs of reversal. Private equity and venture capital targets display even sharper acceleration in abnormal returns, peaking several months later. Notably, the abnormal returns of private equity and venture capital substantially exceed those reported for hedge funds. This finding provides valuable insight as it details which non-hedge funds activists that may explain the higher abnormal returns for non-hedge fund activists reported by Klein and Zur (2009) and Swanson et al. (2022).

Other financial institutions exhibit a sharp positive market reaction immediately following the announcement. However, unlike the sustained growth observed for hedge funds, private equity, and venture capital, their abnormal returns stabilize after the initial spike and experience a modest decline in the subsequent months.

In contrast, individual investors do not generate the pronounced positive market reaction observed during the announcement month for other investor types. As illustrated in Table A.IV, the abnormal returns associated with individual investors remain positive and statistically significant only for a brief period before reverting to insignificance. These findings align with our discussion in Section IV, highlighting the potential heterogeneity within this investor category.

Mutual fund targets experience initial gains in abnormal returns, however, these are followed by relatively large fluctuations compared to other activist types. The post-announcement trend for mutual funds is characterized by high volatility and a lack of statistical significance (see Table A.IV), which may be partially explained by the small sample size for this group. Similarly, pension funds lack statistical significance, exhibiting minimal market reaction around the announcement month and remaining relatively stable throughout the subsequent year. However, it should be acknowledged that the lack of statistical power may be attributed to the small sample sizes for these types.

This graphical inspection reveals potential heterogeneity in the market reactions associated with different activist types, persisting even in the year following activist intervention. These results suggest not only substantial variations in immediate market responses but also enduring differences over longer time horizons.

B. Differences in Abnormal Stock Returns Among Investor Types in the Year Following Activist Interventions

We formally test whether the observed differences in the subsequent year remain robust and statistically significant by employing a cross-sectional regression similar to that in Section IV. The dependent variable across all specifications is the abnormal return for each event within the defined event window, ranging from -1 month to +12 months relative to the announcement month. Similarly, the regression specifications include dummy variables for all activist types, excluding hedge funds, which serve as the reference category. We incorporate Year-Month fixed effects, and three-digit SIC industry fixed effects. Standard errors are clustered at the three-digit SIC industry level. Moreover, we control for firm size, profitability, leverage, Tobin's Q, cash-to-assets ratio, and payout yield. These specifications aim to isolate the effect of activist type on abnormal returns, ensuring that our results are not driven by underlying firm characteristics or broader industry and temporal trends.

In Column (1) through Column (4), the estimated coefficients for private equity, venture capital, individuals, other financials, pension funds, and mutual funds remain statistically insignificant, suggesting no discernible differences in abnormal returns relative to hedge funds. The results are robust to sample restrictions (Column 2), time fixed effects (Column 3), and industry fixed effects (Column 4). Our results show persistent insignificant differences among activist types relative to hedge funds in the subsequent year, contrasting to the findings of Klein and Zur (2009) which documents significant outperformance for non-hedge fund activists in relation to hedge funds.

Table VI
Cross-Sectional Regressions of Abnormal Returns in the Subsequent Year

This table presents the cross-sectional regression results for abnormal returns over the defined event window, ranging from month -1 to +12. The regressions include dummy variables for different activist types, excluding hedge funds, which serve as the reference category. Time fixed effects are included at the Year-Month level, and industry fixed effects are applied based on three-digit SIC codes. Standard errors are clustered at the three-digit SIC industry level. Control variables such as firm size, profitability, leverage, Tobin's Q, cash-to-assets ratio, and payout yield are incorporated to account for firm-specific characteristics, using data from the last available fiscal year' prior the announcement date. All data are winsorized at the 1% and 99% levels. *** significant at the 0.01 level; ** significant at the 0.05 level; * significant at the 0.10 level.

	Cumulative Abnormal Return -1/+12 months				
	(1)	(2)	(3)	(4)	(5)
Constant	0.0732***	0.0690***			
	(3.790)	(3.329)			
Other Financials	-0.0219	-0.0060	-0.0028	0.0345	0.0269
	(-0.5731)	(-0.1642)	(-0.0697)	(0.7395)	(0.5874)
Private Equity	0.0070	0.0255	0.0242	0.0420	0.0276
	(0.1440)	(0.5211)	(0.4703)	(0.9016)	(0.5816)
Individual	-0.0288	-0.0353	-0.0108	-0.0202	-0.0167
	(-0.7263)	(-0.8106)	(-0.1909)	(-0.2998)	(-0.2562)
Venture Capital	0.1575	0.1486	0.0525	0.1099	0.0843
	(1.300)	(1.191)	(0.3772)	(0.7722)	(0.6453)
Mutual Fund	-0.1102	-0.0147	-0.0293	0.0373	0.1235
	(-1.101)	(-0.1479)	(-0.2499)	(0.3197)	(1.023)
Pension Fund	-0.0808	-0.0344	-0.0617	-0.0335	0.0259
	(-0.9312)	(-0.4640)	(-0.6292)	(-0.3221)	(0.2450)
Ln(Market Cap)					-0.0110
					(-1.200)
Tobin's Q					-0.0650***
					(-3.694)
ROA					-0.0063
					(-0.0804)
Book Leverage					-0.0032
					(-0.1061)
Cash/Assets					0.1115
					(0.8486)
Payout Yield					0.6422
					(1.232)
Time F.E.	No	No	YearMonth	YearMonth	YearMonth
Industry F.E.	No	No	No	SIC3	SIC3
Clustered SE	SIC3	SIC3	SIC3	SIC3	SIC3
Observations	2,330	2,152	2,152	2,152	2,152
R2	0.00207	0.00154	0.11770	0.22856	0.24841

Column (5) incorporates firm-level control variables, including Ln(Market Cap), Tobin's Q, ROA, book leverage, cash/assets, and payout yield. In this specification, only Tobin's Q is statistically significant at the 1% level, with a negative coefficient of -0.0650. This suggests that firms with higher growth opportunities, as indicated by a higher Tobin's

Q, experience lower abnormal returns following activist interventions. The other control variables do not exhibit statistically significant effects on abnormal returns. Importantly, the inclusion of these firm-specific controls does not render any of the activist type coefficients significant, suggesting convergence of market performance among activist types over the one-year period following activist announcement.

C. One-Year Operational Changes in Target Firms

We find no significant differences in abnormal returns between non-hedge fund activists and hedge funds in the year following their engagements. Based on this observation, the operational impacts of different activist types on firm performance may be largely similar. To test this hypothesis, we analyze the impact of activist interventions by evaluating one-year changes in accounting performance metrics. Specifically, our analysis in Table VII focuses on variables reflecting size, growth, profitability, leverage, shareholder returns, and expenditures.

Table VII indicate that targets of individual investors are the only group exhibiting a significantly lower development in leverage ratios compared to hedge funds. Both book leverage and market leverage are negative and statistically significant at the 1% level for these firms. This development in leverage may reflect the limited influence individuals have on capital structure decisions compared to other activists, who might possess more resources and bargaining power to effect such changes. In addition, pension fund and mutual fund targets experience significant increases in total assets compared to hedge fund targets. Pension funds show a mean increase in the natural logarithm of total assets of 0.052 with statistical significance at the 1% level. Mutual funds exhibit a mean change of 0.115, significantly different at the 10% level. These increases suggest that pension and mutual fund activism may be associated with strategies that promote asset expansion.

Regarding profitability, venture capital targets display a higher median change in ROA compared to hedge fund targets. As previously concluded from Table II, venture capital targets firms with significantly lower ROA, suggesting notable abilities to improve short-term operational performance among target firms.

Overall, we do observe limited differences in accounting measures across activist types in the one-year period following the announcement. This lack of significant variation corresponds with our earlier findings of no significant differences in abnormal returns over the one-year period. These results indicate that, despite the distinct immediate market reactions observed in the announcement window (-10 to +5 days), the impact of different activist types on firm performance appears to converge during the subsequent year. This discrepancy between short-term and long-term outcomes suggests that investors initially perceive activist types differently, potentially due to variations in anticipated effectiveness and reputation (Krishnan et al., 2016).

Table VII
One-Year Changes in Operational Performance across Target Firms

This table summarizes changes (Δ) in firm characteristics for target firms between the fiscal year following and prior to activist intervention. Detailed definitions of accounting variables are presented in Table A.I. For each variable, the mean [median] is reported. We also provide t-statistics and [Z-statistics] testing for differences between hedge fund targets and each other activist type. The t-statistics assess differences in means assuming unequal variances, while the Z-statistics are from Wilcoxon rank-sum test, which do not require the assumption of normal distributions. All data are winsorized at the 1% and 99% levels. *** significant at the 0.01 level; ** significant at the 0.05 level; * significant at the 0.10 level

Variable	Hedge Fund	Other Financials		Private Equity		Individual		Venture Capital		Mutual Fund		Pension Fund	
	(1)	(2)	(1) – (2)	(3)	(1) – (3)	(4)	(1) – (4)	(5)	(1) – (5)	(6)	(1) – (6)	(7)	(1) – (7)
Ln(Assets Total)	-0.074 [-0.076]	-0.08 [-0.094]	0.199 [1.215]	-0.07 [-0.078]	-0.095 [0.342]	-0.081 [-0.071]	0.205 [-0.168]	-0.049 [-0.119]	-0.293 [0.543]	0.115 [-0.029]	-1.766* [-1.964]**	0.052 [0.02]	-3.051*** [-2.125]**
Ln(Market Cap)	-0.179 [-0.087]	-0.221 [-0.11]	0.67 [0.711]	-0.169 [-0.017]	-0.108 [-1.108]	-0.029 [0.012]	-2.286** [-1.944]*	-0.205 [-0.224]	0.137 [0.325]	-0.237 [-0.144]	0.309 [0.419]	-0.05 [0.023]	-1.22 [-0.685]
Tobin's Q	0.039 [0.03]	-0.001 [0.041]	0.65 [0.11]	0.073 [0.076]	-0.446 [-0.657]	-0.104 [0.02]	1.607 [0.4]	-0.179 [-0.066]	0.963 [0.761]	-0.232 [0.017]	1.142 [0.534]	-0.071 [0.012]	1.189 [0.91]
Sales Growth	-0.066 [-0.039]	-0.01 [-0.009]	-1.411 [-1.705]*	-0.021 [-0.021]	-0.871 [-1.193]	-0.083 [-0.044]	0.315 [0.499]	0.017 [0.008]	-0.608 [-1.202]	0.048 [0.006]	-1.339 [-0.825]	-0.061 [-0.059]	-0.056 [0.243]
ROA	0.01 [-0.002]	0.026 [0.009]	-1.104 [-1.551]	-0.013 [-0.008]	1.881 [0.725]	-0.002 [0.002]	0.662 [-0.381]	0.083 [0.062]	-1.502 [2.678]***	-0.023 [-0.006]	1.428 [0.442]	-0.002 [0]	0.467 [-0.227]
Profit Margin	0.021 [-0.001]	0.15 [0.003]	-1.202 [-0.586]	0.049 [0.005]	-0.327 [-0.55]	0.029 [0]	-0.05 [0.555]	0.157 [0.019]	-0.348 [-1.244]	0.031 [-0.004]	-0.079 [0.302]	0.021 [0.006]	-0.011 [-0.842]
Market Leverage	0.031 [0.004]	0.041 [0.001]	-0.808 [-0.597]	0.045 [0]	-0.811 [0.007]	-0.017 [0]	3.446*** [3.125]***	0.054 [0.027]	-0.637 [-0.974]	0.067 [0.002]	-0.706 [-0.425]	0.028 [0.01]	0.095 [-0.382]
Book Leverage	0.079 [0.008]	0.097 [0.003]	-0.543 [-0.674]	0.037 [0.015]	1.162 [-0.61]	-0.041 [-0.006]	3.409*** [3.976]***	0.122 [0.017]	-0.442 [-0.876]	0.121 [0.006]	-0.56 [-0.373]	-0.009 [-0.003]	2.463** [0.821]
Cash/Assets	-0.009 [-0.002]	-0.019 [-0.003]	1.31 [1.296]	-0.008 [-0.001]	-0.083 [-0.311]	-0.008 [-0.005]	-0.093 [0.024]	-0.018 [0]	0.435 [-0.192]	-0.027 [-0.003]	0.778 [0.356]	0.005 [-0.002]	-1.105 [-0.07]
Dividend Yield	0.004 [0]	0.005 [0]	-0.625 [-0.183]	0.003 [0]	0.319 [0.91]	0.005 [0]	-0.472 [0.344]	-0.003 [0]	1.495 [1.28]	0.004 [0]	-0.076 [0.366]	0.003 [0]	0.282 [-0.66]
Payout Yield	0.015 [0]	0.007 [0]	1.632 [0.521]	0.007 [0]	0.939 [0.996]	0.011 [0]	0.544 [0.551]	0 [0]	1.064 [1.611]	0.004 [0]	1.06 [0.918]	0.004 [0.005]	0.923 [0.139]
OpEx/Sales	-0.034 [0]	-0.161 [-0.004]	1.239 [0.402]	-0.049 [-0.005]	0.177 [0.521]	-0.031 [0.005]	-0.019 [-1.483]	-0.12 [-0.026]	0.226 [1.336]	-0.063 [0.005]	0.254 [-0.04]	-0.016 [-0.003]	-0.442 [0.434]
CapEx/Assets	-0.005 [-0.001]	-0.004 [-0.001]	-0.443 [-0.422]	-0.002 [0]	-0.901 [-0.812]	-0.001 [0]	-1.204 [-2.533]**	-0.005 [-0.003]	-0.069 [-0.296]	-0.013 [-0.003]	1.073 [0.924]	-0.003 [0]	-0.481 [-0.414]

VII. Conclusion

This paper provides a comprehensive examination of shareholder activism across different activist types and their relation to established hedge fund activism. By categorizing activists into seven distinct groups: hedge funds, other financial institutions, private equity, individuals, venture capital, pension funds and mutual funds, we document heterogeneity in target selection, immediate market reactions, demands and success rates.

We find that activist types exhibit distinct preferences in selecting target firms, prioritizing characteristics such as size, profitability, and payout policies. Private equity, venture capital, individual investors, and other financial institutions predominantly target smaller firms with lower market capitalization relative to hedge funds. In contrast, mutual funds and pension funds focus on larger, more profitable firms with stronger financial performance and higher payout yields, highlighting the strategic variation across activist types.

Our findings show that market reactions to activist announcements differ by type. Hedge funds generate significant positive abnormal returns of 5% around the announcement date, with similar positive responses for other financial institutions, private equity, venture capital and mutual funds. Conversely, interventions by pension funds and individual activists yield significantly lower abnormal returns, reflecting potential market skepticism about their effectiveness. Moreover, our analysis reveals that hedge funds, private equity firms, and other financial institutions consistently achieve higher success rates across various demand categories. In contrast, individuals and pension funds exhibit significantly lower success rates within the same demand categories, which are also associated with weaker abnormal returns. This finding supports the view that investors anticipate lower probabilities of successful outcomes from these activists.

Despite differences in short-term market reactions, we conclude that long-term firm performance converges across activist types. One-year post-announcement, other activist types show no significant differences from hedge funds. Consistently, accounting metrics reveal limited variation for the period, though individual activists are associated with smaller changes in leverage, suggesting less influence on capital structure.

Our findings suggest that, although the market initially reacts differently to various activist types, the following year effects on firms are largely similar both in terms of market and operational performance. This discrepancy between short-term and long-term outcomes suggests that abnormal returns surrounding activist intervention are not explained by subsequent operational improvements. Rather, these market reactions appear to be influenced by the differing investor perceptions of the activists' ability to achieve their demands.

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Appendix

Table A.I
Accounting Variable Definitions

This table presents detailed definitions of the accounting variables used in this study. All accounting data is based on data from Compustat. The variables capture key aspects of size, growth, profitability, leverage, liquidity, shareholder payouts and expenditures.

Variable	Definition
Ln(Assets Total)	The natural logarithm of the total value of a company's assets as reported in its financial statements at the fiscal year end date, measured in USD millions.
Ln(Market Cap)	The natural logarithm of market capitalization, calculated as the stock price multiplied by the number of shares outstanding at the fiscal year end date, measured in USD millions.
Tobin's Q	The ratio of the market value of a firm's assets (total assets plus market capitalization minus book equity) to its total assets.
Sales Growth	The percentage increase in sales compared to the previous fiscal year.
ROA	Return on Assets, calculated as operating income (EBIT) divided by lagged total assets.
Profit Margin	The ratio of operating income (EBIT) to total sales.
Market Leverage	The ratio of total debt long-term debt plus short-term debt to the sum of total debt and market capitalization.
Book Leverage	The ratio of total long-term debt plus short-term debt to the sum of total debt and book equity.
Cash/Assets	The ratio of cash and cash equivalents to total assets.
Dividend Yield	The ratio of total dividends paid (common dividends plus preferred dividends) to the sum of market capitalization and preferred stock value.
Payout Yield	The ratio of total payouts to shareholders (common dividends, preferred dividends, and share repurchases) to the sum of market capitalization and preferred stock value.
OpEx/Sales	The ratio of operating expenses to total sales.
CapEx/Assets	The ratio of capital expenditures to lagged total assets.

Table A.II
Activist Type Definitions

This table provides detailed definitions of the activist types categorized in this study. The table first outlines the activist types included in the analysis, followed by a description of other activist types that were excluded from the sample as they are not relevant to the research question. Activist definitions are based on prior research as outlined in Section II. Additional details regarding classification methodology are presented in Section II.

Activist Type	Definition
Hedge Fund	Private investment vehicles that pool capital from accredited investors and subject to less regulation, allowing them to employ flexible and high-risk strategies.
Other Financial Institutions (referred to as Other Financials)	A diverse category of financial institutions, including investment companies, family offices, and asset managers.
Private Equity	Investment firms that acquire stakes in private or public companies, aiming to improve operations and generate returns.
Individuals	Single investors, often high-net-worth individuals who invest using personal capital.
Venture Capital	Firms specializing in funding early-stage, high-growth companies in exchange for equity, often focusing on technology or innovation sectors.
Mutual Fund	Investment vehicles pooling capital from multiple investors to create diversified portfolios.
Pension Fund	Institutional investors managing retirement savings, typically focusing on stable, long-term returns for beneficiaries.
Unclassified	Activist entities that cannot be classified with certainty. This group is therefore not usable for comparable research across entities.
Corporation	Operating companies that take activist actions to enhance their own business interests and strategic agenda.
Insider	Individuals with management roles within the target firm taking activist actions to influence decisions for personal or internal strategic benefits.
Non-profit	Organizations driven by non-commercial goals, such as foundations or advocacy groups, engaging in activism to promote social, environmental, or governance causes rather than financial returns.

Table A. III
Abnormal Returns by Event Day and Activist Type

This table reports cumulative abnormal returns for target firms across different investor types over the event window surrounding activist interventions. The event window spans from 10 days before (-10) to 5 days after (+5) the event day. For each event day, cumulative abnormal returns are presented for hedge funds, other financials, private equity, individuals, venture capital, mutual funds, and pension funds. All data are winsorized at the 1% and 99% levels. *** significant at the 0.01 level; ** significant at the 0.05 level; * significant at the 0.10 level

Event Day	Hedge fund	Other Financials	Private Equity	Individual	Venture Capital	Mutual Fund	Pension fund
-10	0.0195	-0.1351	-0.1358	0.2413	0.4284	0.3658	-0.1259
-9	0.0457	-0.1494	-0.1290	0.0916	1.8860	0.9040	-0.5364
-8	0.1245	0.0745	-0.2659	-0.2050	1.8403	2.0313*	-0.3339
-7	0.2340	-0.0092	-0.2600	-0.0666	2.4349	2.4948*	-0.8666
-6	0.3360*	0.0326	-0.4729	-0.1732	2.1627	2.8904*	-0.2890
-5	0.6289***	0.1437	-0.1763	0.1878	1.8314	1.6963	-0.8196
-4	0.5410***	0.5549	-0.0192	0.5648	2.3803	2.7167	-0.6713
-3	0.8241***	0.9320*	0.0344	0.5881	2.8059	2.7740	-1.0147
-2	1.1236***	0.9836	0.2002	0.4536	3.6693	3.4368*	-0.9392
-1	1.5412***	1.3525**	0.8265	0.6134	3.5487	4.9138**	-0.9118
0	3.5707**	3.2564***	2.9476***	1.6990*	3.1566	5.0382**	-1.5623
1	4.4738***	4.5724***	4.3790***	2.0615**	4.9906*	5.2428**	-1.3519
2	6.6337***	4.5724***	4.9103***	1.8583*	5.1511*	4.3592*	-0.7785
3	4.8194***	4.5795***	5.0621***	1.8210*	5.5993*	4.6560*	-1.1034
4	5.0216***	4.6664***	5.2915***	1.5404	5.9376*	4.8899*	-1.2183
5	5.0439***	4.7666***	5.2666***	1.3360	6.6392**	6.0114*	-2.2309

Table A. IV
Abnormal Returns by Event Month and Activist Type

This table reports cumulative abnormal returns for target firms across different investor types over the event window surrounding activist interventions. The event window spans from 1 month before (-1) to 12 months after (+12) the announcement month. For each event month, cumulative abnormal returns are presented for hedge funds, other financials, private equity, individuals, venture capital, mutual funds, and pension funds. All data are winsorized at the 1% and 99% levels. *** significant at the 0.01 level; ** significant at the 0.05 level; * significant at the 0.10 level

Event Month	Hedge fund	Other Financials	Private Equity	Individual	Venture capital	Mutual Fund	Pension fund
-1	0.1385	0.6389	-0.7151	-0.5892	-0.4536	2.2996	2.8386
0	4.8632***	5.6691***	5.7954***	0.7691	5.6301	11.1110*	1.1254
1	5.4960***	5.1280***	6.0160***	2.4264	4.3907	10.8449	1.4110
2	4.8120***	4.9448***	6.4166***	3.6892	8.5883	9.5926	3.0735
3	5.0075***	6.7338***	7.8372***	4.6949	12.0731	10.1608	2.4769
4	5.4597***	5.5727**	5.8407**	4.3995	17.2132**	5.5173	-0.4340
5	6.1726***	4.5840*	7.1941**	5.9455*	19.6854**	1.4626	0.5753
6	6.5488***	3.7373	9.8333***	7.0783*	22.0604**	-2.9060	0.5955
7	6.2928***	4.9485*	12.0414***	6.3582*	24.4440**	-1.0423	-1.1382
8	6.5887***	5.6885**	12.5093***	7.5330*	29.2341***	8.0157	-0.6260
9	6.0705***	5.2672*	11.2945**	7.2933*	31.8898***	12.3443	-0.4095
10	5.7412***	5.1356	13.1828***	7.1689*	30.8330***	9.2967	-1.9381
11	6.5889***	5.6251*	12.6014**	5.8620	28.2921**	2.0738	5.6733
12	6.9392***	5.1755	8.8825*	4.8859	25.4294**	0.5418	3.0020

AI Appendix

Recognition:
We have used the AI tool ChatGPT with help regarding specific coding methods.