

Departmental Research Seminar



Avoiding a Shark Attack:
Examining Actions Firms Can Take
to Avert the Threat of Activist Investors
By

Prof. Gerry McNamara
Michigan State University

Date : 24 Mar 2021 (WED)

Time : 9 am – 10:30 am

Venue : Online via Zoom

Abstract

Shareholder activism has emerged as a prominent threat for corporate managers, but extant research has largely overlooked actions managers can take to deflect or even deter pressures from activist investors. In this talk, I will discuss two studies that examine how firms go beyond either acquiescing or overtly resisting activist pressures as well as the outcomes of those actions. In the first study, we discuss how managers who are under activist pressure may undertake acquisitions as a means to deflect the threat from activists. We discuss the attributes of acquisitions that influence the degree to which they can deflect the threat of activists. In line with our arguments, we find that activist induced acquisitions are more diversifying and larger than activism-free acquisitions. In addition to demonstrating that these acquisitions are characteristically different from other acquisitions, we explore the immediate, short-term, and long-term consequences of these acquisitions. In the second study, we take it one step earlier to examine when and how firms may undertake aversive impression management to preemptively shield themselves from salient activism threats. We find evidence that when proximal firms are engaged by activists, firms do undertake actions that are likely designed to make them less prominent targets. In a supplementary analysis, we examine whether these actions reduce the likelihood that the firm will be targeted by financial activists. Together, these two studies show that the toolkit managers can employ when facing the threat of activism includes actions to blunt both the existing and looming threat of activists.

Prof. Gerry McNamara is the Eli Broad Professor of Management at Michigan State University. He received his PhD from the University of Minnesota. His research examines the effect of leader attributes, organizational characteristics, and market pressures on strategic perceptions, impression management actions, and organizational strategic decisions. He presently serves as an Associate Editor for the *Strategic Management Journal* and as Program Chair for the Behavioral Strategy Division of the Strategic Management Society. He previously served as an Associate Editor for the *Academy of Management Journal*.

All interested are welcome.

