



RESPONDING TO ACTIVIST INVESTORS

Ensuring your people don't get stuck
in the middle

It's late. The emergency meeting of your board has been underway for over three hours. There is only one agenda item – how do you respond to the activist investor who is taking aggressive and determined action to change the shape, strategy and direction of your business?

Shareholder activism is still a challenge for many organisations. In 2018, **922 companies** were publicly subjected to activist demands. This was down roughly 8% from 856 in 2017 but still **higher than the 887 recorded in 2016**. In 2018 around 20% of all activist investor campaigns focused on large-cap companies and were primarily in relation to **the board, governance issues and C-suite transitions**. This trend is only going to continue into 2020 and beyond.

– The Activist Investing Annual Review 2019

People, change and communication

Remarkably, the majority of activist demands are met in whole or in part. In the strategies and approaches they deploy, in the quality of research they undertake, in their ability to persuade other shareholders and stakeholders and to influence the media – in all these things, activist investors are becoming increasingly sophisticated and successful.

There are three distinct but closely related dimensions of those challenging situations which need special attention – people, change and communication. Our team of skilled and experienced consultants work with our colleagues globally across the firm to focus on how to help clients protect and enhance their enterprise value as they guide their people through change and transformation.

Understanding the importance of these dimensions at each key stage – readiness, response and recovery – is critically important. Taking decisive action based on that understanding can help your organisation prepare for, navigate through and successfully recover from the approaches of activists.

Readiness

Research reveals that many boards spend more than 70% of their time looking in the rear-view mirror – reports, audit reviews, budgets and compliance. Undertaking a systematic and structured review of how your board and your senior leadership team operate will help you to be fully prepared for an approach by activist investors. We can identify and advise around points of vulnerability including:

- High CEO and C-Suite remuneration where the relationship between executive reward and shareholder return is unclear
- A lack of vision. A perceived failure to define and communicate a clear vision for the future of the business

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The success of FTI Consulting's cross-practice teams is built on taking a coherent and holistic response to an activist investor.

- Poor corporate citizenship. A perception that your approach to ESG (Environment, Social, Governance) is seen as inadequate or uncoordinated
- Complacency in culture. Long-established and unchanged strategies show a lack of innovation or a failure to understand the impact of disruptive technologies or alternative business models
- Poor change management. A view that your business is insufficiently agile and effective in leading and driving change

Response

The success of FTI Consulting's cross-practice teams is built on taking a coherent and holistic response to an activist investor. Within that integrated response, people, change and communication issues include:

Leadership. Inspiring and effective leadership that sustains confidence in your strategy and in the future of your business

Employee engagement. Bringing your people with you as you navigate through this challenging landscape

Internal communications. Ensuring that the messages you send to your people are clear and credible, consistent and compelling

Stakeholder management. Taking a structured approach to the way you communicate and manage relationships with a broad range of stakeholders from suppliers to NGOs

Change management. Upgrade your strategy, the allocation of capital in your business or the shape of your organisation. A disciplined and effective approach to leading and managing change is essential

Talent. Enabling senior leadership transitions and the attraction and retention of high potentials

Recovery

Your response to the approach by a determined activist investor has been successful. They are turning their attention elsewhere and you can return to business as usual. Except, of course, that a return to the status quo ante is simply not an option. Their approach and your response will, necessarily, have been disruptive. We work with you to:

- Conduct a systematic review of what has happened to ensure that lessons are learnt and that appropriate action is taken
- Re-engage your people in the new way forward, ensuring they fully understand the actions you took and the path ahead
- Shape your internal communications strategy to ensure it is fully aligned with new realities
- Lead and manage the changes to build on what you have achieved in the past in order to secure a successful future
- Enhance the skills and capabilities of your most talented people to maximise the value of their contribution
- Develop the culture of your business to ensure it is resilient and ready for the challenges that lie ahead

The future

Activist investors will continue to have a powerful impact. Increasingly sophisticated and determined, their power to disrupt and to distract will increase. At FTI Consulting, we strongly believe that the challenge they offer and the threat they pose can be effectively met and countered.

Get in touch to find out how we can help your organisation be ready, respond effectively and recover in a sustainable way.

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About us

The People & Change practice designs and implements internal communications and engagement programmes to enlighten and involve employees on a global, regional or local level.

Drawing upon our diverse expertise and creativity, we help increase employee understanding of business strategy and build leadership credibility in situations, including new strategy or vision introduction, mergers and acquisitions, operating model changes, outsourcing or insourcing, workforce consolidation or reduction, and restructuring or re organisation, among others.

We work in conjunction with our Activism and M&A Solutions practice to prepare and enable organisations to shift the balance in a activism or M&A situation.



How we can help

We combine sector expertise with experience in crisis preparedness and change communications across these sectors:



Industrials



Energy & Natural Resources



Financial Services



Life Sciences & Healthcare



Real Estate



Consumer & Retail Industry



Technology, Media & Telecom



Legal



Automotive



Insurance

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About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

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