

Gone Global: The International Diffusion of Hedge Fund Activism

Ruth V. Aguilera , Ryan Federo , and Yuliya Ponomareva

The Oxford Handbook of Hedge Funds

Edited by Douglas Cumming, Sofia Johan, and Geoffrey Wood

Print Publication Date: Oct 2021 Subject: Economics and Finance, Financial Economics

Online Publication Date: Nov 2021 DOI: 10.1093/oxfordhb/9780198840954.013.3

Abstract and Keywords

After decades of being primarily a US-based phenomenon, the globalization of hedge fund (HF) activism is increasing at an unprecedented speed. This chapter reviews the empirical research on HF activism by systematically comparing studies conducted in the US and outside the US context. The nascent body of work on HF activism is categorized and discussed within four research sub-streams: the antecedents of HF activism; HF activists' tactics; the responses of target firms to HF activist campaigns, and the outcomes of the latter for HF activists, target firms, and other stakeholders. Six select cases of interventions by a prominent HF activist illustrate the cross-country differences in hedge fund activist practices outlined in the literature review. The chapter concludes by outlining current research gaps and formulating research questions that could advance our knowledge on hedge fund activism in a global context.

Keywords: corporate governance, hedge fund activism, globalization, literature review, ownership

13.1 INTRODUCTION

HAVING originated in the US context, hedge fund (HF) activists have become prominent players on the global corporate governance landscape (Brav et al., 2010, 2015; Ahn and Wiersema, 2021). This category of HFs differs from other forms of ownership because of their distinct strategy; HF activists tend to acquire a minority stake in a target firm and then put pressure on the management and the board to initiate large-scale changes with the goal of unlocking the latent value (Ryan and Schneider, 2002; Fichtner, 2015). In 2018, this new breed of activist shareholders boasted a record number of new campaigns and an all-time high of US\$65.6 billion capital deployed in target firms (Lazard, 2019).

After re-emerging in the US in mid-2000s, HFs have since become increasingly active in their influence on target firms. Their unique position on the market for corporate control gives them a significant advantage over their more passive counterparts (Brav et al., 2008; Clifford, 2008). The general success of the HF activist business model has quickly

led the US market near to its saturation point, limiting the opportunities for growth. As David Hunker—head of shareholder activism defense at JP Morgan—laments, “Every company in the US has been picked over by an activist, [and] looked at by an activist” (Weinland and Lewis, 2018).

With the globalization of capital markets and an increasing trend toward shareholder protection worldwide, activism outside the US presents new opportunities for HF investors, increasingly shifting the battlefields of the HF campaigns towards Europe and APAC. As of 2018, HF activist campaigns have taken place in 39 countries spread across (p. 319) six continents, where non-US target firms account for an impressive 47% of all campaigns worldwide (Activist Insight, 2019). Although most of these campaigns were launched by US-based HFs, the number of activist interventions by non-US HF continues to rise (Lazard, 2019). In terms of market capitalization, European HF activists have been ranked among the largest in the world. In 2018, Swedish Cevian Capital (with capitalization of US\$11.2 billion) grew to be the largest activist HF in Europe and third in the world, sharing a top 10 position with UK-based TCI (with capitalization of US\$6.7 billion).

Despite the increasingly global scale, extant knowledge about HF activist practices is largely limited to the US context. Nevertheless, the rapidly evolving research on HF activism across borders shows significant differences in the nature, success, and impact of HF activist campaigns from one country to another (Becht et al., 2017). Different legal and institutional environments constrain or facilitate HF activist engagement, ultimately altering the set of tactics available to HF activists for their campaigns, as well as the outcomes of their engagements (Filatotchev et al., 2013). Previous research has found that HF activists approach European and Japanese targets through private negotiations with the management and the board, in contrast to more hostile tactics reliant on public exposure in the US (Becht et al., 2008; Buchanan et al., 2014). In a similar vein, even though non-US HFs successfully copy the US model, they adjust their approaches to the local business environment, leading them to outperform their US counterparts on their home turf (Becht et al., 2017).

With regard to the effects of HF activism, the evidence is largely mixed. Previous studies in the US setting suggest an increase in shareholder value of target companies in both the short and long term, which is supported by Bessler et al.’s (2015) study in Germany. In contrast, Buchanan et al. (2018) found that activist campaigns in Japan failed to create the shareholder value of target firms despite market expectations. Moreover, a cross-continent comparison by Becht et al. (2017) showed that the probability of HF activist campaigns succeeding is highest in North America (61%), followed by Europe (50%), and lowest in Asia (18%), indicating significant differences among countries.

Given both the academic and practical relevance of the phenomenon, we believe it is imperative to consolidate current knowledge on the subject. Existing literature reviews focusing on the nature and consequences of HF activism have not addressed in detail how these practices differ across national jurisdictions (Brav et al., 2010; Ahn and Wiersema, 2021). To address this research gap, this chapter maps the evolution of HF activism by

comparing the US and non-US settings. The key research question we aim to answer in this comprehensive literature review is: How does HF activism differ between the US and non-US contexts? To answer this question, we synthesize the published academic research on HF activism in a comprehensive literature review. More specifically, we compare the antecedents of HF activism, HF activist tactics, target firm responses to HF campaigns, and outcomes for target firms, other stakeholders, and HF activists in the US and outside the US. Our study complements existing reviews on HF (p. 320) activism (Brav et al., 2010; Ahn and Wiersema, 2021) by explicitly addressing differences and similarities between HF activist campaigns across institutional settings.

The chapter is organized as follows. We first provide an overview of the geography of HF activism. We then synthesize the nascent research on HF activism in a comprehensive literature review, supplementing it with illustrative cases of activism conducted by a prominent HF and highlighting similarities and differences in HF activism across different national contexts. The chapter concludes by outlining discrepancies between the empirical phenomenon of the globalization of HF activism and existing scientific knowledge on the subject, thereby suggesting various avenues for future research.

13.2 THE RE-EMERGENCE OF HEDGE FUND ACTIVISM

HF activism is not an entirely new phenomenon, being strongly reminiscent of the 1980s American corporate raiders who were campaigning to untap shareholder value by driving corporate restructuring and replacing the upper echelons of underperforming corporations (Cheffins and Armor, 2011). As anti-takeover provisions and regulatory backlash increased after the campaigns spread into other major markets (Cuervo, 2002), the global market of hostile takeovers has rapidly declined. Yet, in 2008, some of the former corporate raiders have re-emerged to become what we now refer to as HF activists.

The surge in HF activist campaigns can be attributed to the unique position of HFs on the market for corporate control. Being exempt from diversification requirements and strict fiduciary standards, HFs have more financial resources to hold concentrated stakes in their targets (Tannon and Johnson, 2005; Lhabitant, 2007). HF managers also enjoy significant discretion when it comes to capital allocation, thus enabling them to easily and rapidly take large stakes in target firms (Crerend, 1998; Pearl, 2006). Moreover, HFs rarely have any close relations with target firms, thereby minimizing potential conflicts of interest when exercising their influence (Brav et al., 2010). Relatively loose regulatory constraints combined with significant managerial discretion have cultivated HFs to become a new breed of activists equipped with a number of advantages when pursuing their agendas toward target firms (Brav et al., 2010).

HF activists usually target smaller and economically healthier firms that are undervalued in the market (Brav et al., 2008; Lim, 2015). By exploiting information asymmetry and focusing on perceived inefficiencies of the market, HF activists initiate campaigns aimed at

unlocking latent value of their target firms. The activists' objectives, albeit not mutually exclusive, typically fall among the following five categories: addressing firm undervaluation; changing capital structure; modifying firm strategies; initiating or blocking the sale of the company; and improving corporate governance (Brav et al., 2015b). As HFs have relatively low shareholdings, they employ a wide variety of tactics to influence target firms. These tactics range from a more conciliatory (p. 321) approach of privately communicating and negotiating with the management and board to a more hostile approach of actively seeking public exposure and support from the rest of the shareholders through proxy contests and litigations (Brav et al., 2010). In some instances, HFs may use a "wolf-pack" tactic, where HF activists build coalitions with other shareholders to gain stronger influence over the management and board by confronting target firms simultaneously (Schneider and Ryan, 2011).

13.3 GEOGRAPHY OF HEDGE FUND ACTIVISM

The unique position and influence tactics of HFs have differentiated them from other investors as a new breed of activist shareholders (Briggs, 2006). From the thousands of 13D filings to the US Securities and Exchange Commission by the end of the 2006 proxy season, Briggs (2006) found a meager number of 52 firms that could be considered as targets of HF activist campaigns. In just over a decade, this number has increased tenfold, nearing 500 US target firms in 2018. The success and growing influence of HF activists in the US, along with the saturation of the market, have provoked a diffusion of such practices to other contexts. The number of target firms worldwide has been steadily increasing since 2013, with 2017 as an exception (see Table 13.1).

Table 13.1 Worldwide HF activism by year

Year	Number of target firms
2013	607
2014	645
2015	775
2016	887
2017	856
2018	922

Source: Activist Insight (2019)

Gone Global: The International Diffusion of Hedge Fund Activism

For target firms with market capitalization of more than US\$500 million, the number of firms now stands at its highest point of 226 (see Table 13.2), along with the corresponding market value of capital deployed (US\$65.6 billion) and the number of HF activists (131).

In 2017, 193 campaigns were carried out in 17 countries, increasing to 247 in 28 countries the following year (see Table 13.3). The US remains the largest market for HF activism, followed by Europe and Asia. Although Europe is still the HF activists' target choice after the US and the UK is second behind the US with 24 campaigns, overall, the (p. 322) (p. 323) percentage of European campaigns has dropped. Noticeably in 2018, HF activists shifted their focus toward Asia and the Pacific (APAC), with Japan leading with 17 campaigns and other countries such as Canada with 14 campaigns.

Table 13.2 Number of HF activists and target firms by year*

Year	Number of target firms	Total market value of capital deployed (in billion US\$)	Number of activists
2013	139	48.2	49
2014	172	65.1	93
2015	188	57.7	100
2016	168	30.3	103
2017	188	62.4	109
2018	226	65.6	131

(*) with more than US\$500 million in market capitalization

Source: Lazard (2019)

Table 13.3 HF activist campaigns within the US*

	2017	2018
Total number of HF activist campaigns worldwide	193	247
HF activist campaigns within the US	132 (68%)	143 (58%)
HF activist campaigns outside the US	61 (32%)	104 (42%)
Europe**	52	55
APAC***	5	28
Others****	4	21
Size of US HF activist campaigns in billion US\$	36.4 (59%)	41.2 (63%)
Size of non-US HF activist campaigns in billion US\$	25.2 (41%)	24.4 (37%)
Size of HF activist campaigns in Europe in billion US\$	20.3	15.7
Size of HF activist campaigns in APAC in billion US\$	0.3	4.0
Size of HF activist campaigns in Others in billion US\$	4.6	4.8
Number of countries covered	17	28

(*) with more than US\$500 million in market capitalization

(**) Europe includes Austria, Belgium, Cyprus, Czech Republic, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Poland, Portugal, Spain, Sweden, Switzerland, and the UK

(***) APAC refers to Asia and the Pacific, which includes China, India, Israel, Japan, Korea, Singapore, Taiwan, and Australia

(****) Others include Bermuda, Brazil, Canada, and Mexico

Source: Lazard (2018, 2019)

Yet, despite the increase in the number of non-US HF campaigns, the capital is still highly concentrated in US campaigns (see Table 13.3), representing 64% of all capital employed in 2018 (up from 59% in 2017). The size of European campaigns has decreased from 2017, whereas the size of campaigns in APAC countries has increased, indicating a shift in the type of target firms in different jurisdictions.

Table 13.4 HF activists' country of origin

	2017	2018
Total number of HF activist campaigns	193	247
US HFs	148 (77%)	185 (75%)
Non-US HFs	45 (23%)	62 (25%)
Europe*	39	39
APAC**	3	16
Others***	3	7
Number of domicile countries	11	21

*with more than US\$500 million in market capitalization

(*) Europe includes France, Germany, Italy, Luxembourg, Monaco, Netherlands, Slovakia, Spain, Sweden, Switzerland, and the UK

(**) APAC refers to Asia and the Pacific, which includes Australia, China, Hong Kong, Oman, Singapore, South Korea, and United Arab Emirates

(***) Others includes Brazil, Canada, and South Africa

Source: Lazard (2018, 2019)

US-based HFs dominated all campaigns worldwide in 2017 (77%) and 2018 (75%). Among their non-US counterparts, European HF activists account for the largest share (see Table 13.4). In 2018 alone, two European HF activists, Swedish Cevian and the UK-based TCI Fund Management, in total launched five new campaigns in four countries:

Gone Global: The International Diffusion of Hedge Fund Activism

Sweden, Switzerland, Norway, and the US (Lazard, 2019). Whereas the number of European HFs has remained stable in 2017–2018, HF activists in the APAC region and the rest of the world were on the rise. For instance, HFs from Canada (Catlon Capital, Kemwood Ltd., W. Graeme Rouston, Waterton, and West Face Capital) and Hong Kong (Argyle Street Management, Oasis Management, and Discovery Street Management) have tripled their numbers in 2018; HFs from Australia (Merlon Capital Partners and Viburnum Funds), Brazil (Leblon Equities), China (Kingsferry Capital Management), Oman (Mubadrah Investment), South Korea (PJ Asset Management and KB Asset Management), and the United Arab Emirates (VR Capital Group) have also launched campaigns in 2018.

Most US HFs primarily target domestic firms, with 80% in 2017 and 68% in 2018 (see Table 14.5). The decline can be attributed to the shift in focus of US HFs to APAC and other countries, at least doubling in the same period. Europe is the next destination with 16% of the campaigns. In contrast, non-US HFs are more diverse when it comes to their destination countries. The target firms are spread across domestic, US, and European territories. Similar to the US-based HFs, non-US HF activists have also increased their campaigns in APAC. In sum, given the large geographic spread of HF activists' destination countries and home countries worldwide, we should expect different motives, tactics, responses, and outcomes shaped by the idiosyncratic institutional environments of each individual country.

Table 13.5 Destination countries of HF activists

Particulars	2017	2018
Total number of campaigns	193	247
<i>US HFs</i>	148	185
Domestic	119 (80%)	126 (68%)
Europe	23 (16%)	30 (16%)
APAC	3 (2%)	18 (10%)
Others	3 (2%)	11 (6%)
<i>Non-US HFs</i>	45	62
Domestic	16 (36%)	17 (27%)
US	13 (29%)	17 (27%)
Europe	14 (31%)	16 (26%)
APAC	2 (4%)	8 (13%)
Number of destination countries	17	28

*with more than US\$500 million in market capitalization

Source: Lazard (2018, 2019)

13.4 EMPIRICAL RESEARCH ON HEDGE FUND ACTIVISM

With the surge in HF activist campaigns worldwide, it is intriguing that only two literature reviews have been conducted on this topic (i.e., Brav et al., 2010; Ahn and Wiersema, 2021). To the best of our knowledge, no systematic literature review has focused on the (p. 325) globalization of HF activism. In this chapter, we present the state of the art of published empirical research on HF activism, comparing the US- and non-US-based studies. Due to their scarcity, we group studies using samples of non-US firms in one category. Our study complements Brav et al.'s (2010) review on the nature of HF activism and

expands Ahn and Wiersema's (2021) review of empirical work within finance regarding HF activism by highlighting differences and similarities between HF activism's antecedents, tactics, target firm responses, and outcomes within and outside the US.

To ensure a replicable, transparent, and scientific process, we followed Tranfield et al.'s (2003) methodology in our systematic literature review. We first decided to restrict our search to articles that were published in peer-reviewed journals. Given the infancy of research on HF activism, we did not limit ourselves to a specific field, journal, or publication year. We then searched using the keywords "hedge fund activism" and "hedge fund activist" using the EBSCO Business Source Premier database and Google Scholar. We screened the articles by reading through their abstracts. We excluded articles which were not empirical (i.e. descriptive) and those that did not investigate activism. This approach ultimately yielded 53 articles for the review.

13.4.1 Annual Article Publications

Table 13.6 shows a list of annual article publications on HF activism; 34 articles exclusively focus on the US, while 19 include at least one country other than the US (subsequently referred to as non-US for simplicity). Coinciding with the re-emergence of HF activism in the mid-2000s, empirical research on HF activism began to appear in 2006, when Bratton (2006) explored HF activists' impact on target firms. Since then, the research trend has been sporadic. The number of articles published on HF activism peaked in 2015 with 10 publications and that figure has yet to be surpassed.

13.4.2 Empirical Setting

As expected, a large chunk (64%) of empirical research on HF activism focused on the US setting. Outside the US, Germany was second with six studies (see Table 13.7). Germany is a unique context due to the presence of competing institutional logics: the Rhenish capitalism logic with its patient capital and insurgent shareholder value logic fueled by increasing reliance on financial markets (Fichtner, 2015). Other studies that examined non-US settings were on Japan, the UK, and Italy, with two studies each. Becht et al. (2008) and Bellini (2009) examined UK HF activists, while Buchanan et al. (2014, 2018) studied the Japanese Murakami fund and foreign HF activists targeting local firms. In the emerging market context, Panina's (2012) study and Katelouzou's (2014) multi-country study examined the case of the US-based HF activist Hermitage Fund in Russia. (p. 326)

Gone Global: The International Diffusion of Hedge Fund Activism

Table 13.6 List of articles published per year

Year	Exclusively on US	Non-US	Total
2006	1	0	1
2007	0	0	0
2008	2	1	3
2009	2	1	3
2010	0	0	0
2011	2	2	4
2012	3	2	5
2013	1	2	3
2014	2	3	5
2015	4	6	10
2016	6	0	6
2017	3	1	4
2018	7	1	8
2019 (January)	1	0	1
Total	34	19	53
Percentage	64%	36%	100%

Table 13.7 Geographic context of HF activist campaigns by articles published (2006–2019)

Country	Number	Percentage
US	34	64
Germany	6	11
International (incl. US)	3	5
UK	2	4
Italy	2	4
Japan	2	4
International (excl. US)	2	4
France	1	2
Russia	1	2
Total	53	100

(p. 327)

To our knowledge, no study has explicitly discussed the differences between US and non-US HFs. Among the studies conducted using international samples of HF activist campaigns, three articles include the US (Katelouzou, 2014; Brav et al., 2015a; Becht et al., 2017). For instance, Becht et al. (2017) compared local versus foreign HF activist performance across countries, showing that the former outperforms the latter. Katelouzou (2014) found no support for any direct effects of legal system on the nature of HF activism. From the articles which also used international samples but restricted them to European countries, Gospel et al. (2011) found national regulatory environment to have a moderating role on the success of HF activist campaigns, while Erede (2013) provided a thorough comparison of HF activism in Germany and Italy.

13.4.3 Journal Outlets

Overall, a total of 33 journals published empirical research on HF activism, including seven FT50 journals (see Table 13.8). Noticeably, three out of the eight FT50 journals—namely *The Review of Financial Studies* (7), *Journal of Financial Economics* (5), and *The Journal of Finance* (4)—produced the highest number of articles.

13.4.4 Field Outlets

The published articles also come from different fields (see Table 13.9). More than half of the articles are from finance (29), followed by management (8), law (6), accounting (5), economics (3), political economy (1), and sociology (1), indicating the multidisciplinary nature of the subject.

13.4.5 Research Sub-streams

Our review is categorized into four main research sub-streams on HF activism: antecedents of HF activism; HF activist tactics; target firm responses to HF campaigns; and outcomes for target firms, other stakeholders, and HF activists (the list of empirical research is shown in Table 13.10). The outcomes of HF activist campaigns emerged as the center of academic interest, with more than 90% of all the published empirical articles. This interest can be explained by the increasing popularity of the HF activist business model, the greater media attention that drives HF activist campaigns, and the ongoing debate surrounding HF activism's repercussions on shareholder value. The antecedents of HF activism followed as the next research sub-stream to receive substantial attention with more than 71% of the articles, while HF activist tactics were discussed in more than (p. 328) (p. 329) 47% of the articles. The question of how targets respond to HF activist interventions only attracted around 19% of the published articles.

Gone Global: The International Diffusion of Hedge Fund Activism

Table 13.8 List of journals included in the review (2006–2019)

Journal	Exclusively on US	Non-US	Total
Accounting and Business Research	1		1
The Accounting Review*	1		1
Annual Review of Financial Economics		1	1
Applied Financial Economics		1	1
Columbia Business Law Review	1		1
Columbia Law Review	1		1
Competition & Change		1	1
Contemporary Accounting Research*	1		1
Corporate Governance: An International Review	1	2	3
European Company and Financial Law Review		1	1
European Financial Management		2	2
The Georgetown Law Journal	1		1
International Journal of Disclosure and Governance	2		2
Journal of Banking & Finance		1	1
Journal of Corporate Citizenship		1	1
Journal of Corporate Finance	2		2

Gone Global: The International Diffusion of Hedge Fund Activism

Journal of Corporate Law Studies		1	1
Journal of Economics and Finance		1	1
The Journal of Finance*	4		4
Journal of Financial and Quantitative Analysis*	1		1
Journal of Financial Economics*	5		5
Journal of Financial Research	1		1
Journal of Governance and Regulation	1		1
Journal of Management & Governance		3	3
Management Science*	2		2
Quantitative Finance	1		1
Review of Derivatives Research	1		1
Review of Financial Economics	1		1
The Review of Financial Studies*	5	2	7
Socio-Economic Review		1	1
Strategic Management Journal	1		1
University of Pennsylvania Journal of Business Law		1	1
Total	34	19	53

(*) FT50 journals

Table 13.9 Number of articles per field (2006–2019)

Country	Number	Percentage
Finance	29	55
Management	8	15
Law	6	11
Accounting	5	9
Economics	3	6
Political economy	1	2
Sociology	1	2
Total	53	100

Antecedents of HF activism. The antecedents touch on the underlying reasons for HFs to engage in activist campaigns. The overall driver points to HFs exploiting information asymmetry and perceived inefficiencies of the market to maximize returns from prospective investments in target firms. Four aspects emerged from the review of what HFs typically consider when initiating their campaigns. First, firms with certain characteristics attract HF activists. In the US context, HFs tend to target smaller and economically healthier firms that are undervalued in the market (Brav et al., 2008). Smaller firms are easier targets because it requires less capital to gain a meaningful stake than larger firms (Brav et al., 2015b). Moreover, by investing in undervalued firms that are performing well and showing growth potential, HFs can impose changes on target firms to unlock latent value, thereby creating a payday for shareholders and activists (e.g. Greenwood and Schor, 2009; Carrothers, 2017). However, this is not necessarily the case when it comes to non-US target firms. For example, Bessler et al. (2015) and Mietzner and Schweizer (2014) found that some HF targets are large German conglomerates with high market valuation.

Second, the firm's capital structure appears to lure HF activists. Target firms with relatively large cash holdings and low dividends tend to attract HF activists who are eager to redistribute cash back to shareholders (Klein and Zur, 2009; Carrothers, 2017). Other appealing factors relating to the capital structure include high institutional shareholding that could signal passive ownership, thus a weaker protection of minority shareholders (Kastiel, 2016; Gantchev and Jotikasthira, 2017), and highly liquid stocks that help HFs quickly acquire significant stakes in target firms (Brav et al., 2008; Norli et al., 2014). In the US, HF activists tend to also target firms with low leverage (Brav et al., 2015b; Aslan and Kumar, 2016) and over-collateralized secured debts (Jiang et al., 2012), or firms that

Gone Global: The International Diffusion of Hedge Fund Activism

are financially distressed (Lim, 2015). In a similar vein, non-US target firms with low leverage or that pay low dividends have also attracted HFs, particularly in Germany (Mietzner and Schweizer, 2014; Bessler et al., 2015;). (p. 330)

Table 13.10 Empirical research on HF activism (2006–2019)

Research sub-stream	US (Exclusively)	Non-US
I. Antecedents		
1. Firm characteristics		
<ul style="list-style-type: none"> • Size (Small) • Valuation (Undervalued) • Operating performance (e.g., ROE, ROI, sales, etc.) and opportunity to grow (High) • Domestic or foreign firms 	<p>Allaire & Dauphin, 2016; Artiga Gonzalez & Calluzzo, 2019; Aslan & Kumar, 2016; Brav, Jiang, Partnoy, & Thomas, 2008; Carrothers, 2017; Chen & Feldman, 2018; Greenwood & Schor, 2009; Guo, Utham, Gang, & Hu, 2018; Klein & Zur, 2009; Krishnan, Partnoy, & Thomas, 2016; Lim, 2015; Muhtaseb & Grover, 2012</p>	<p>Becht, Franks, Grant, & Wagner, 2017; Bessière, Kaestner & Lafont, 2011; Bellini, 2009; Bessler, Drobetz, & Holler, 2015; Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2014; Mietzner & Schweizer, 2014</p>
2. Capital structure		

<ul style="list-style-type: none"> • Agency problem of cash flow (High) • Dividend payout (Low) • Institutional ownership (High) • Stock liquidity (High) • Leverage (Low) • Over-collateralized secured debt • Financially distressed firms 	<p>Allaire & Dauphin, 2016; Aslan & Kumar, 2016; Boyson & Pichler, 2019; Brav, Jiang, & Kim, 2015b; Brav, Jiang, Partnoy, & Thomas, 2008; Carrothers, 2017; Gantchev & Jotikasthira, 2017; Jiang, Li, & Wang, 2012; Kastiel, 2016; Klein & Zur, 2009; Lim, 2015; Norli, Ostergaard, & Schindele, 2014; Swidler, Trinh, & Yost, 2019</p>	<p>Bajo, Barbi, Bigelli, & Hillier, 2013; Becht, Franks, Grant, & Wagner, 2017; Becht, Franks, Mayer, Rossi, 2008; Bellini, 2009; Bessler, Drobetz, & Holler, 2015; Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2014; Erede, 2013; Fichtner, 2015; Mietzner & Schweizer, 2014; Sudarsanam & Broadhurst, 2012</p>
<p>3. Firm strategy</p>		
<ul style="list-style-type: none"> • Possibility of restructuring (e.g., mergers and acquisitions and divestiture) and change in business plans • Low in R&D 	<p>Allaire & Dauphin, 2016; Boyson, Gantchev, & Shivdasani, 2017; Boyson & Mooradian, 2011; Boyson & Pichler, 2019; Brav, Jiang, & Kim, 2015b; Brav, Jiang, Ma, & Tian, 2018; Chen & Feldman, 2018; Swidler, Trinh, & Yost, 2019</p>	<p>Becht, Franks, Mayer, & Rossi, 2008; Bellini, 2009; Bessler, Drobetz, & Holler, 2015; Brav, Jiang, & Kim, 2015a; Filatotchev & Dotsenko, 2015; Sudarsanam & Broadhurst, 2012</p>

<ul style="list-style-type: none"> • Highly diversified • High capital expenditures 		
<p>4. Corporate governance</p>		
<ul style="list-style-type: none"> • Possible board structure/composition changes • High in managerial entrenchment • More takeover defenses • Institutional setting (i.e. legal framework for shareholder protection) 	<p>Allaire & Dauphin, 2016; Boyson & Pichler, 2019</p>	<p>Becht, Franks, Mayer, & Rossi, 2008; Bellini, 2009; Gospel, Pendleton, Vitols, & Wilke, 2011; Katelouzou, 2014 (strong); Panina 2012 (weak); Sudarsanam & Broadhurst, 2012</p>
<p>II. HF activist tactics</p>		

<p>1. Conciliatory approaches</p> <ul style="list-style-type: none"> • Communicating to the board/management regarding maximizing shareholder value • Seeking board representation without a proxy contest • Making formal shareholder proposals 	<p>Allaire & Dauphin, 2016; Brav, Jiang, Partnoy, & Thomas, 2008; Cheng, Huang, & Li, 2015; Murtaseb & Grover, 2012</p>	<p>Becht, Franks, Mayer, Rossi, 2008; Bellini, 2009; Bessière, Kaestner, & Lafont, 2011; Bessler, Drobetz, & Holler, 2015; Buchanan, Chai & Deakin, 2018; Erede, 2013; Filatotchev & Dotsenko, 2015</p>
<p>2. Hostile approaches</p> <ul style="list-style-type: none"> • Threatening of a proxy fight to gain board representation or sue for breach of duty • Launching a proxy contest to replace the board 	<p>Allaire & Dauphin, 2016; Boyson & Pichler, 2019; Cheng, Huang, & Li, 2015; Greenwood & Schor, 2009; Klein & Zur, 2009; Klein & Zur, 2011; Krishnan, Partnoy, & Thomas, 2016</p>	<p>Bellini, 2009; Bessler, Drobetz, & Holler, 2015; Buchanan, Chai, & Deakin, 2018; Erede, 2013; Filatotchev & Dotsenko, 2015; Sudarsanam & Broadhurst, 2012</p>

<ul style="list-style-type: none"> • Suing the company • Taking control of the company (i.e. takeover bid) 		
3. Clustered activism (i.e. wolfpack)	Artiga Gonzalez & Caluzzo, 2019	Becht, Franks, Grant, & Wagner, 2017; Bellini, 2009; Bessière, Kaestner, & Lafont, 2011; Bessler, Drobetz, & Holler, 2015; Katelouzou, 2014; Sudarsanam & Broadhurst, 2012
4. Taking full-crum position to the target firm		
<ul style="list-style-type: none"> • Institutional liquidity purchase (as a camouflage) • Large stake purchase • Use of derivatives • Loans to target firms 	Cheng, Huang, & Li, 2015; Gantchev & Jotikasthira, 2017; Guo, Gang, Hu, & Utham 2018; Lim, 2015	None

5. Changing tactics in different stages of campaign	None	Katelouzou, 2014
III. Responses of target firms		
1. Negotiations with activists	Muhtaseb & Grover, 2012	Bellini, 2009; Buchanan, Chai, & Deakin, 2014
2. Takeover defense		
<ul style="list-style-type: none"> • Increase in earnings management and control of information disclosure • Lobbying and communication campaign (through politicians, employees, and proxy advisory firms) • Offering stock options • Refusal of demands 	Khurana, Li, & Wang, 2018; Boyson & Pichler, 2019; Chen & Jung, 2016	Bellini, 2009; Bessière, Kaestner, & Lafont, 2011; Buchanan, Chai, & Deakin, 2014; Buchanan, Chai, & Deakin, 2018; Sudarsanam & Broadhurst, 2012; Weber & Zimmermann, 2013

IV-A. Outcome to target firms		
1. Firm performance		
<ul style="list-style-type: none"> • Market response (short-term and long-term stock returns or valuation) (Mixed) • Profitability (Mixed) • Operating performance (Mixed) 	<p>Allaire & Dauphin, 2016; Artiga Gonzalez, & Caluzzo, 2016; Bebchuk, Brav, & Jiang, 2015; Bilinski, Cumming, Hass, Stathopoulos, & Walker, 2018; Boyson, Gantchev, & Shivdasani, 2017; Boyson & Mooradian, 2011; Boyson & Pichler, 2019; Bratton, 2006; Brav, Jiang, & Kim, 2015b; Brav, Jiang, Partnoy, & Thomas, 2008; Chen & Feldman, 2018; Cheng, Huang, Li, & Stanfield, 2012; Clifford, 2008; Greenwood & Schor, 2009; Guo, Gang, Hu, & Utham 2018; Harford, Kecskes, & Mansi, 2018; Klein & Zur, 2009; Klein & Zur, 2011; Krishnan, Partnoy, & Thomas, 2016; Muhtaseb & Grover, 2012; Swidler, Trinh, & Yost, 2019</p>	<p>Becht, Franks, Grant & Wagner, 2017; Becht, Franks, Mayer, Rossi, 2008 (decline); Bessière, Bessière, Kaestner, & Lafont, 2011; Bessler, Drobetz, & Holler, 2015; Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2018; Fichtner, 2015; Filatotchev & Dotsenko, 2015; Gospel, Pendleton, Vitols, & Wilke, 2011; Mietzner & Schweizer, 2014; Sudarsanam & Broadhurst, 2012; Weber & Zimmermann, 2013</p>
2. Capital structure		

<ul style="list-style-type: none"> • Reduction of excess cash and increase in dividend payout • Increase in buyback of shares • Increase in leverage 	<p>Allaire & Dauphin, 2016; Boyson & Mooradian, 2011; Bratton, 2006; Brav, Jiang, Partnoy, & Thomas, 2008; Carrothers, 2017; Jiang, Li, & Wang, 2012; Klein & Zur, 2011; Lim, 2015; Sunder, Sunder, & Wong-sunwai, 2014</p>	<p>Becht, Franks, Grant, & Wagner, 2017; Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2018; Fichtner, 2015; Filatotchev & Dotsenko, 2015</p>
<ul style="list-style-type: none"> • Reduction of bankruptcy risk • Increase in creditworthiness of debts • Borrowing cost (increase in cost of debt) • Block holding reduction 		
<p>3. Firm strategy</p>		

<ul style="list-style-type: none"> • Restructuring (including M&As and divestitures) and slack-cutting in firms (labor) • R&D expenses • Inclusion of social/environmental causes 	<p>Allaire & Dauphin, 2016; Boyson, Gantchev, & Shivdasani, 2017; Boyson & Pichler, 2019; Bratton, 2006; Brav, Jiang, & Kim, 2015b; Brav, Jiang, Ma, & Tian, 2018; Chen & Feldman, 2018; Cheng, Huang, & Li, 2015; Greenwood & Schor, 2009; Harford, Kecskes, & Mansi, 2018; Klein & Zur, 2009; Lim, 2015; Swidler, Trinh, & Yost, 2018</p>	<p>Bajo, Barbi, Bigelli, & Hillier, 2013; Becht, Franks, Grant, & Wagner, 2017; Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2018; Filatotchev & Dotsenko, 2015</p>
<p>4. Corporate governance</p>		
<ul style="list-style-type: none"> • Board change • CEO (or top management) turnover • CEO compensation • Takeover bids • Managerial decision making • High cost of campaign • Increase in tax avoidance 	<p>Allaire & Dauphin, 2016; Boyson, Gantchev, & Shivdasani, 2017; Boyson & Mooradian, 2011; Bratton, 2006; Brav, Jiang, Partnoy, & Thomas, 2008; Carrothers, 2017; Chen & Jung, 2016; Cheng, Huang, & Li, 2015; Cheng, Huang, Li, & Stanfield, 2012; Gantchev, 2013; Greenwood & Schor, 2009; Harford, Kecskes, & Mansi, 2018; Klein & Zur, 2009; Krishnan, Partnoy, & Thomas, 2016; Sunder, Sunder, & Wongsunwai, 2014</p>	<p>Becht, Franks, Grant & Wagner, 2017; Bellini, 2009; Bessière, Kaestner & Lafont, 2011; Brav, Brav, Jiang, & Kim, 2015a; Buchanan, Chai, & Deakin, 2018; Filatotchev & Dotsenko, 2015; Sudarsanam & Broadhurst, 2012; Voußem, Schäffer, & Schweizer, 2015</p>

<ul style="list-style-type: none"> • Increase in accounting conservatism/ earnings management 		
IV-B. Outcome to other stakeholders		
1. Creditors (e.g. increase in bondholders' wealth or debtholders)	Jiang, Li, & Wang, 2012; Klein & Zur, 2011; Sunder, Sunder, & Wongsunwai, 2014	Bessler, Drobetz, & Holler, 2015; Brav, Jiang, & Kim, 2015a
2. Spillover effects on industry rivals	Aslan & Kumar, 2016	Brav, Jiang, & Kim, 2015a
3. Media	Krishnan, Partnoy, & Thomas, 2016	None
4. Proxy advisory firms	None	Bessière, Kaestner, & Lafont, 2011
5. Legal counsel	None	None
6. Investment banks	None	None
IV-C. Outcome to hedge funds		

1. Higher returns (including comparisons with non-activist HF)	Boyson & Mooradian, 2011; Brav, Jiang, Partnoy, & Thomas, 2008; Chen & Feldman, 2018; Cheng, Huang, & Li, 2015; Clifford, 2008; Gantchev, 2013; Lim, 2015; Swidler, Trinh, & Yost, 2019	Becht, Franks, Mayer, & Rossi, 2008; Bessler, Drobetz, & Holler, 2015; Mietzner & Schweizer, 2014
2. Gaining reputation/experience for future success	Boyson & Mooradian, 2011; Krishnan, Partnoy, & Thomas, 2016	None
3. Exit	Boyson & Pichler, 2019	None
4. Against HF managers	None	Panina 2012

(p. 331)

(p. 332)

(p. 333)

(p. 334)

(p. 335) Third, firm strategies can draw HF activists' interests. For example, firms become targeted because of managerial decisions that can be perceived as value destroying, which include acquisitions, divestitures, and sale of the firm (Brav et al., 2015a; Becht et al., 2017; Boyson et al., 2017; Boyson and Pichler, 2019; Chen and Feldman, 2018; Swidler et al., 2019). As observed in the US setting, HFs intervene because of the target firms' need for financial guidance and reduction of managerial slack (Allaire and Dauphin, 2016; Chen and Jung, 2016), particularly those firms with low R&D expenditures (Klein and Zur, 2009; Brav et al., 2018). Outside the US, Filatotchev and Dotsenko (2015) found that HFs in the UK have also influenced target firms to create strategies to pursue social and environmental goals.

Fourth, HFs also engage in activist campaigns to influence the corporate governance of target firms. They target firms that appear to have less independent boards (Bratton, 2006; Boyson and Mooradian, 2011; Becht et al., 2017;), are showing the existence of managerial entrenchment (Sunder et al., 2014; Boyson and Pichler, 2019), and have already gone through multiple takeover defenses (Greenwood and Schor, 2009; Krishnan et al., 2016; Boyson et al., 2017). In the context of emerging markets, HF activism seems to be particularly effective, since well-performing companies appear to be undervalued due to weak institutional protection of minority shareholder rights (Katelouzou, 2014). For instance, US-based Hermitage Capital Management generated significant returns (at least

for certain periods) through their Western media campaigns, revealing the corporate governance misconduct in Russia (Panina, 2012).

HF activist tactics. To pursue campaigns, HF activists use several tactics which are generally categorized into conciliatory (i.e. friendly) or hostile in nature (Brav et al., 2010; Ahn and Wiersema, 2021). Both conciliatory (i.e. communicating with the board/management, sending a formal shareholder proposal, and seeking board representation without a proxy contest) and hostile approaches (i.e. threatening and launching proxy contests or litigation and starting takeover bids) are observed in the US and outside the US. However, a friendlier approach seems to be preferable in some countries such as Japan and Italy, in which any hostile attempts result in a more hostile response from target firms (Erede, 2013; Buchanan et al., 2018). This phenomenon is partly due to the Japanese collectivist orientation, in which shareholders and firm managers are assumed to pursue the firm's best interests; and thus, managers would be surprised by any type of shareholder activism against their decisions (Buchanan et al., 2014). In a similar vein, Erede (2013) found that HF activist efforts in Italy rarely pushed through because of internal resistance from managers who possessed voting rights, opposition from controlling shareholders, and lack of support from other shareholders and external stakeholders (i.e. media, auditors, regulatory agencies).

There is also empirical evidence on the tendency of HF activists to build coalitions with other shareholders to increase their power and influence on target firms (Schneider and Ryan, 2011). Such alliance is referred to as clustered activism or a “wolfpack” tactic, which is prevalent not only in the US but also to other countries such as the UK, Germany, and France (e.g. Bellini, 2009; Sudarsanam and Broadhurst, 2012; Katelouzou, 2014). The clustering is not restricted to a specific type of activists, in which other types (p. 336) of institutional shareholders such as pension funds and mutual funds can join HFs for the campaign (Artiga Gonzalez and Calluzzo, 2019).

Apart from joining a wolfpack, HFs can also place themselves in a fulcrum position within a target firm by investing strategically to obtain control when firms reorganize. Having a fulcrum position can be done through acquiring a greater percentage of shareholdings, injecting new equity capital, and/or giving loan-to-own securities (Lim, 2015). In the US, HFs increase their shareholding to gain significant stakes (Cheng et al., 2015; Lim, 2015). Some authors observed that HFs can take advantage of liquid stocks as a camouflage means to gain institutional shareholding (Gantchev and Jotikasthira, 2017). In some instances, HFs can also use derivatives to acquire stocks. However, using derivatives does not necessarily help to achieve better investment returns (Guo et al., 2018).

The above-mentioned tactics suggest several options for HFs for their activist campaigns. Interestingly, a multi-country study by Katelouzou (2014) showed evidence that HFs do not restrict themselves to a specific type of tactic. They change over time depending on the stage of the campaign (i.e. entry, trading, disciplining, and exit).

Target firm responses to HF campaigns. Once targeted by HF activists, firms do not merely absorb the attacks. Rather, they respond to the campaigns. In the US, previous studies have shown that target firms may either negotiate with activists (Muhtaseb and Grover, 2012) or pursue a stealthy takeover defense by controlling information disclosure (Chen and Jung, 2016; Khurana et al., 2018) and increasing earnings management (Boyson and Pichler, 2019). Outside the US, target firms are more creative with their takeover defense. In Germany, target firms have offered stock options to appease activists (Weber and Zimmermann, 2013); whereas in France and Italy, target firms have launched lobbying and communication campaigns through the media, politicians, employee representatives, and proxy advisory firms to refute activist claims (Bellini, 2009; Bessière et al., 2011). In some instances, target firms in Japan and Germany have stood their ground and refused demands from any activist who attempts to intervene (Buchanan et al., 2014; Buchanan et al., 2018; Sudarsanam and Broadhurst, 2012) which, in contrast to the US scenario, may be attributed to the more concentrated ownership structure with a strong history of bank ownership in these two countries (Fichtner, 2015; Kato et al., 2017).

Outcomes of HF activism. With regard to the outcome of HF activism, our review reveals HF activism to be a double-edged sword for target firms. On the one hand, some studies have found that HF activism can be an effective mechanism to address the agency problem of cash flow in both US and non-US target firms. Some studies have found that HF activist campaigns improve financial outcomes by reducing excess cash flows through increasing dividend payouts (Bratton, 2006; Brav et al., 2008; Boyson and Mooradian, 2011; Klein and Zur, 2011), buying back shares (Filatotchev and Dotsenko, 2015; Allaire and Dauphin, 2016), and increasing R&D expenses (Klein and Zur, 2009; Brav et al., 2018). Researchers have also found that HF activism generates nonfinancial outcomes for US and non-US target firms, such as reducing the risk of bankruptcy (Jiang et al., 2012), enhancing firm strategies (Lim, 2015; Chen and Feldman, 2018; (p. 337) Swidler et al., 2019), improving accounting practices (Cheng et al., 2015), promoting social responsibility (Filatotchev and Dotsenko, 2015), facilitating changes in corporate governance by increasing board independence through appointment of their representatives on the board (Bellini, 2009; Krishnan et al., 2016), CEO turnover (Boyson and Mooradian, 2011; Allaire and Dauphin, 2016), and managerial pay-performance sensitivity (Filatotchev and Dotsenko, 2015; Carrothers, 2017).

Supporting this line of reasoning, the existing empirical research on HF activism, mainly based on US data, suggests an increase in both short-term and long-term market value for target firms (Clifford, 2008; Chen and Feldman, 2018; Swidler et al., 2019). The bulk of research suggests a spike of an average 5–21% in target firms' stock prices immediately after the announcement of HF activist campaigns (Boyson and Mooradian, 2011; Brav et al., 2015b; Chen and Feldman, 2018), with some evidence of these effects being sustained in the long term (Mietzner and Schweizer, 2014; Bessler et al., 2015; Brav et al., 2015a). Research has also documented significant improvements in the profitability and

operating performance of target firms in the US (Allaire and Dauphin, 2016) and outside the US (Brav et al., 2015b).

On the other hand, HF activist campaigns can also have negative effects. Despite the well-documented positive responses of financial markets accompanying HF activist interventions, some authors have questioned whether HF activist campaigns improve target firms' substantive performance (Weber and Zimmermann, 2013). Allaire and Dauphin (2016) argue that most performance improvements from HF activist interventions were after-effects of divestitures, spinoffs, and cost-cutting, thereby raising doubts about the ability of HF activism to create value. Empirical evidence indicates that HF activist campaigns can be related to operational inefficiencies in target firms such as a decline in operating performance (Becht et al., 2008), decreased spending on innovation (Allaire and Dauphin, 2016), reduced information disclosure (Chen and Jung, 2016), a higher probability of earnings management (Khurana et al., 2018), increased leverage (Carrothers, 2017; Buchanan et al., 2018), increased borrowing costs (Sunder et al., 2014), and greater tax avoidance (Cheng et al., 2012).

Moreover, HF interventions may also lead to a greater propensity for target firms to be subject to future takeover bids and being sold shortly after an activist campaign. For instance, Boyson et al. (2017) found that one third of US target firms from 2000 to 2012 were involved in a takeover bid within two years prior to the activist involvement. This is because the short investment horizons of HFs make them more suited to identifying undervalued target firms (Greenwood and Schor, 2009) or because of their strong reputation for "clout and expertise" to be successful in takeovers (Krishnan et al., 2016). Outside the US, however, Bajo et al. (2013) found that the presence of HF activists has lowered the likelihood of successful takeover bids. In some instances, HF activism can also cause unintended consequences such as job destruction by reducing the number of working hours and stagnating wages (Brav et al., 2015a).

In addition, the current literature also provides evidence on the positive outcomes for HF activists and other stakeholders after the campaigns. Compared to passive HF (p. 338) activists, HF activists tend to earn higher profits in the US (Clifford, 2008), the UK (Becht et al., 2008), and Germany (Mietzner and Schweizer, 2014; Bessler et al., 2015). Whilst HFs intervene more, they gain reputation and experience that can help them succeed in future campaigns (Boyson and Mooradian, 2011; Krishnan et al., 2016). Creditors are also likely to increase their wealth (Jiang et al., 2012; Sunder et al., 2014; Bessler et al., 2015; Brav et al., 2015a;), which may be attributable to the increase in credit-worthiness of target firms' debts (Klein and Zur, 2011; Lim, 2015). There is also an observed spillover effect onto target firms' industry rivals after HF campaigns, which may be attributed to post-activism improvements in target firms' productivity, cost and capital efficiency, and product differentiation, and the perceived threat of being targeted by activists (Aslan and Kumar, 2016).

However, an activist strategy can also be challenging for HFs. Not all campaigns succeed, and some HFs have exited after failed attempts to influence target firms (Boyson and

Pichler, 2019). Also, HF managers can become targets of personal attacks from target firms or even from the government, particularly in countries with weaker legal protection for shareholders, as is the case of Russia (Panini, 2012).

To reconcile the mixed evidence on outcomes of HF activism, there have been attempts to examine the contextual determinants of the nature and success of HF activist campaigns. Researchers have identified past successes of HF activist campaigns (Krishnan et al., 2016) and target firm characteristics (Bajo et al., 2013) as important factors influencing the outcomes of HF activist interventions.

To sum up, our review of the existing empirical studies on HF activism reveals several research sub-streams. Although it appears that the US model of HF activism is practised across national borders such as the UK, France, Germany, Italy, Japan, and South Korea, there are several evident disparities among the different contexts. This observation indicates the need to adopt HF activism practises to destination countries, since local HF activists tend to outperform foreign HF activists on their home turfs (Becht et al., 2017). As HF activism continues to grow and evolve over time, the challenge remains to determine the specificities of the phenomenon in each individual country.

13.4.6 Theoretical Perspectives

The extant empirical literature on HF activism primarily relies on agency theory. Of the 19 articles with an explicit use of theory, 12 specifically referred to agency theory (see Table 13.11). Other theoretical perspectives used in the literature include team production theory (Bratton, 2006), upper echelons theory (Voußem et al., 2015), institutional theory (Sudarsanam and Broadhurst, 2012; Katelouzou, 2014), random utility theory (Gantchev, 2013), sequential decision theory (Carrothers, 2017), and signaling theory (Krishnan et al., 2016). Interestingly, 34 articles did not specify any theory at all; however, half of these studies mentioned agency costs/problems in the narrative.

(p. 339)

Table 13.11 List of theoretical perspectives

Theoretical perspectives	Number	Percentage
Agency theory	12	22
Institutional theory	2	4
Team production theory	1	2
Upper echelons theory	1	2
Random utility theory	1	2
Sequential decision theory	1	2
Signaling theory	1	2
Not specified	34	64
Total	53	100

13.5 SELECT CASES OF HEDGE FUND ACTIVISM WORLDWIDE

The increasing prominence of HF activism on a global scale has led us to observe variations in HF activist practises across countries. The 2018 Lazard report shows that HF activists are no longer constrained within their domicile jurisdictions. More than 40% of HF activists have at least one campaign outside their home country (Lazard, 2019). Elliott Management, a US-based HF who topped the Lazard list of HF activists in terms of market value of capital deployed in 2017 and 2018 (see Table 13.12), carried out an astonishing 18 of 22 campaigns outside the US in 2018 alone. Its non-US activist campaigns are spread across eight countries, which include the UK (9), Germany (2), Japan (2), France (1), Israel (1), Italy (1), Korea (1), and Portugal (1). Because of its portfolio diversity, Elliott rests in an interesting position that enables us to conduct a cross-national comparison of its campaigns’ antecedents, tactics, target firm responses, and outcomes. We outline below six campaigns conducted by Elliott across different countries.

13.5.1 US: Sempra Energy

Sempra Energy is a San Diego-based energy infrastructure company with a reported revenue of US\$11.2B in 2017. In June 2018, it became a target of Elliott and Bluescape Resources Company who collectively hold a 4.9% stake in the company. DiChristopher (2018) of CNBC reported that Elliott and Bluescape launched a joint campaign by communicating with Sempra’s board and shareholders, calling for an overhaul of Sempra’s (p. 340) board and a strategic review of its portfolio and operations. The activist investors believed that the firm was undervalued, and that the campaign could unlock US\$11–16 billion worth of value. Elliott and Bluescape argued that Sempra was not able to build a power market conglomerate because of its unrelated businesses. Moreover, the HF activists contended that Sempra’s executive compensation was not designed to reward its leaders for enriching shareholders and rather its board empowered the longest-serving directors.

Table 13.12 Top HF activists per market value of capital deployed (in US\$ billions)

Hedge Fund	Country	2017	2018
Elliott Management	US	19.1	14.7
ValueAct Capital	US	8.1	12.6
Cevian Capital	Sweden	16.0	11.2
Trian Fund Management	US	9.2	10.1
Third Point LLC	US	7.6	9.4
Icahn Carl C	US	7.8	7.9
TCI Fund Management	UK	2.2	6.7
Pershing Square Capital Management	US	6.6	4.6
Starboard Value	UK	4.3	4.1
Total		80.9	81.3

Source: Lazard (2019)

After the announcement of the joint campaign, Sempra’s stocks spiked by 15%. Sempra’s board responded by acknowledging its openness for a dialogue with the activists (DiChristopher, 2018). After some negotiations, Sempra and the activists eventually came

to a compromise, agreeing to restructure the firm's board (which included a change in board members and board committee refunctioning) and an expanded review of the company's operations (Sempra Energy, 2018), pushing for short-term results.

13.5.2 UK: Whitbread

Whitbread is a British hotel and restaurant company that owns Premier Inn, the largest hotel brand in the UK. Despite its 2017 revenues topping GB£3.1 billion, the company had suffered from a sharp revenue slowdown and stock price underperformance over the years. Reuters reported in early 2018 that Sachem Head Capital, which held a 3.4% stake, proposed the sale of Whitbread's Costa coffee-shop chain (Martin, 2018). Elliott followed suit in purchasing a 6% stake to become the largest shareholder and joined Sachem Head in pushing for the sale. The activists believed that divesting Costa from (p. 341) Whitbread could unlock GB£3.4 billion in value. Moreover, the activists also asked for cash returns to Whitbread's shareholders to spur stock prices.

Immediately after the initial announcement of Sachem Capital's campaign, Whitbread's stock prices increased by 7%. Elliott's subsequent stock purchase further increased the stock price by 7.2% (BBC News, 2018). Initially, Whitbread's CEO rejected the terms for the cash returns, but reiterated that the board was open to review the proposal. After some negotiations, Whitbread's board agreed to sell Costa to Coca Cola for GB£3.5 billion. Thereafter, Whitbread purchased Foremost Hospitality, a German hospital chain, to boost its revenues (Whitbread, 2018).

13.5.3 Germany: Thyssenkrupp by Elliott

Thyssenkrupp is a German industrial conglomerate. Although it reported €41.45 billion in revenues in 2017, the company's operating profit was at the lower end of its forecast. The company had also been suffering from lower earnings forecasts, cost overruns, declining orders on its engineering and ship building division, and falling share prices. Elliott believed that Thyssenkrupp's underperformance could be attributed to operational inefficiencies, serial restructuring, and its industrial solutions business segment. Elliott then launched a joint campaign with Cevian Capital, Sweden's largest HF, who ranked third in a 2018 list of HFs per market value of capital deployed and controlled 18% of Thyssenkrupp's stocks, to propose changing the CEO, separating the company's business segments, and re-evaluating the steel joint venture with Tata (Henning and Wilkes, 2018).

Thyssenkrupp's shares increased by 6% in value after the campaign announcement. However, the firm's CEO accused Elliott of psycho-terror tactics, referring to the campaign launched. Elliott clapped back by sending a letter to the board refuting such claims, thereby pushing to change the CEO immediately (Elliott Advisors-UK, 2018). Ultimately, the board agreed with the activists, which resulted in the resignation of the CEO and the board chair and the separation of its maritime and industrial solutions businesses, driving its share prices to jump by 17% (McGee, 2018).

13.5.4 Italy: Telecom Italia

Telecom Italia, also known as TIM, is the largest Italian telecommunications company headquartered in Rome and Milan, with €75.92 billion in revenues. In 2015, TIM lost more than a quarter of its market value after Vivendi, a French mass media conglomerate, purchased stakes in the company (Balmer, 2018). Vivendi faced criticisms from the market, including the Italian government, over time because of TIM's stock underperformance and related party transactions. TIM's stocks were believed to be undervalued due to Vivendi's discount. Overall, there was a growing dissatisfaction with TIM's CEO because of a lack of strategic direction. Elliott, owning a 6% stake, accused (p. 342) Vivendi of falling into short-termism for personal gain rather than for TIM's benefits. Elliott then launched a campaign to replace TIM's six board members to improve its governance and strategy. Germany's Share Value Management HF activist and the Italian government purchased 1% and 4.2% stakes respectively to back Elliott's campaign (Balmer, 2018).

Eight Vivendi-nominated directors resigned after Elliott's proposal, resulting in a full board election where Elliott gained 10 out of the 15 board seats, resulting in the new board initiating changes in the firm's strategies (The Local, 2018). Vivendi responded with an aggressive media campaign, suggesting that TIM had devalued by 35% since Elliott's coup; however, the market responded with a 3% increase in TIM's stock prices, beating the Milan index of 2.2% (Flak and Barzic, 2018). Ultimately, TIM's CEO was replaced.

13.5.5 Japan: Alps Electric

Alps Electric is a Japanese electronic components maker which owns a more than 40% stake in Alpine Electronic Inc., a Japanese car audio and navigation system maker. In 2018, Alps planned to fully acquire or takeover Alpine, which required a two-thirds supermajority in an extraordinary shareholder meeting set for the end of the year (Yamashita and Kikuchi, 2018). However, Oasis Management, a Hong Kong-based HF activist holding 9.9% of Alps, was blocking the sale by submitting a shareholder proposal arguing that the sale price was too low, which would potentially harm minority shareholders (Fujita, 2018). It threatened to raise the concern during the upcoming shareholder meeting.

Alps responded by claiming that the merger was critical for the two companies to survive. It further included a sweetened deal for the buyback of Alpine by pledging shareholders a 50% group net profit share for three years and 30% thereafter (Fujita, 2018). Alps shares traded as high as 7.8% after the announcement of the freshened deal. Elliott boosted its shares to almost 9.2%, which resulted in an immediate increase of 2.8% in Alps' share price (Lee, 2018). Elliott then publicly supported the merger, which led to Alps' shares increasing by close to 4.6% in value. The merger eventually took place during the year-end shareholder meeting. This case is a unique example of target firms becoming a battlefield for HF activists.

13.5.6 South Korea: Hyundai Motor Group

Hyundai Motor Group is a South Korean conglomerate, which owns several subsidiaries such as Hyundai Motors, Kia Motors, and Hyundai Glovis. As of 2018, it is the third largest automobile manufacturer in the world. In early Spring of 2018, Hyundai unveiled a restructuring plan that would have facilitated a change in management that would streamline the succession from father to son (Jin, 2018). However, Elliott (p. 343) then opposed the plans, which led to Hyundai scrapping them. In August, Elliott sent a letter to Hyundai, renewing its campaign for key changes in the group's structure and corporate governance to bolster shareholder value. The proposal included some mergers of the group's affiliates, setting up of a restructuring committee to review the plans, returning excess cash, and diversifying and enhancing the current board (Kim, 2018).

Elliott's announcement raised the shares of the group's affiliates by 0.8% to 5.1% (Kim, 2018). However, Hyundai group's share value fell by 1%. Hyundai rejected the proposal and reiterated some possible breaches of local regulatory rules with the proposed changes (Jin, 2018). Moreover, Hyundai released a statement on its openness for future dialogue with key shareholders in due course. Hyundai also revealed a new structuring plan and buyback programme, which Elliott continued to criticize.

13.5.7 Cross-country Comparison

The select cases presented above show a common thread in the antecedents of Elliott's campaigns throughout 2018. Elliott's primary motivation for the campaigns was pushing for changes in the target firms' strategies. However, there are some noticeable variations across different campaigns (see Table 13.13). For example, in the Anglo-Saxon (US and the UK) and European (Germany and Italy) countries, another objective concerned under-valuation of the target firms, which was not observed in the Asian countries (Japan and Korea). With the exception of the UK and Japan, changes in corporate governance also appeared as the antecedent for Elliott's activism. In Germany, Elliott was additionally concerned about the target firm's operating inefficiency. These findings indicate that Elliott's objectives and tactics varied depending on the target firm and destination country.

Gone Global: The International Diffusion of Hedge Fund Activism

Table 13.13 Select cases of Elliott's campaigns in 2018

Dimension	US: Sempra En- ergy	UK: Whitbread	Germany: Thyssen- rupp	Italy: Telecom Italia	Japan: Alps Elec- tric	Korea: Hyundai Motor Group
Market cap (US\$ in bil- lions)	26.78	10.29	15.77	13.56	5.48	30.96
Elliott's stake (%)	4.90	6.00	3.00	6.00	5.10	2.60
Market value of campaign	1.31	0.62	0.47	0.81	0.28	0.81
Antecedents	<ul style="list-style-type: none"> • Market undervaluation • Firm strategy • Corporate governance 	<ul style="list-style-type: none"> • Market undervaluation • Firm strategy 	<ul style="list-style-type: none"> • Market undervaluation • Firm strategy • Corporate governance 	<ul style="list-style-type: none"> • Market undervaluation • Firm strategy • Corporate governance 	<ul style="list-style-type: none"> • Firm strategy 	<ul style="list-style-type: none"> • Firm strategy • Corporate governance

Gone Global: The International Diffusion of Hedge Fund Activism

			<ul style="list-style-type: none"> Operating inefficiency 			
Tactics	<ul style="list-style-type: none"> Conciliatory (communicating with the management/board) Wolfpack 	<ul style="list-style-type: none"> Conciliatory (communicating with the management/board) Wolfpack 	<ul style="list-style-type: none"> Wolfpack Hostile (threat of proxy contest) 	<ul style="list-style-type: none"> Wolfpack Hostile (proxy contest) 	<ul style="list-style-type: none"> Hostile (threat of voting against the proposal in a shareholder meeting) 	<ul style="list-style-type: none"> Hostile (called for a review/meeting)
Response of target firm	<ul style="list-style-type: none"> Friendly negotiation 	<ul style="list-style-type: none"> Friendly negotiation Hostile (rejection of proposal) 	<ul style="list-style-type: none"> Hostile takeover defense (media coverage) 	<ul style="list-style-type: none"> Hostile takeover defense (media coverage) 	<ul style="list-style-type: none"> Hostile (refusal of activist demand) 	<ul style="list-style-type: none"> Hostile (refusal of activist demand)

Gone Global: The International Diffusion of Hedge Fund Activism

Outcomes	<ul style="list-style-type: none"> • Short-term stock price increase in target firm • Change in firm strategy • Change in CG 	<ul style="list-style-type: none"> • Short-term stock price increase in target firm • Change in firm strategy 	<ul style="list-style-type: none"> • Short-term stock price increase in target firm • Change in firm strategy • Change in CG 	<ul style="list-style-type: none"> • Short-term stock price increase in target firm • Change in firm strategy • Change in CG 	<ul style="list-style-type: none"> • Short-term stock price increase in target firm • Change in firm strategy 	<ul style="list-style-type: none"> • Short-term stock price decrease in the target firm • Short-term stock price increase in affiliate firms • Change in firm strategy
----------	---	---	---	---	---	---

To carry out the campaigns, Elliott used several tactics. In the US and UK, Elliott teamed up with other activists and exercised a more conciliatory approach (i.e. communicating their concerns to the management), which the target firms responded to with openness and a willingness to negotiate, despite Whitbread (UK) initially rejecting the proposal. This finding deviates from what we have learned from the literature, which suggests that campaigns in the Anglo-Saxon context tend to be more hostile. Interestingly, for the campaigns outside the Anglo-Saxon context, Elliott used a more hostile approach by threatening and initiating proxy contests and calling for shareholder meetings to block any strategy proposals. This could be explained by Elliott's significant size and strong reputation, as well as the high-profile targets outside the US. As expected, the target firms' responses were also hostile in nature. In particular, the German and Italian target firms retaliated with aggressive campaigns using media exposure against the activists. Meanwhile, the Japanese and Korean target firms merely ignored or rejected any of Elliott's demands. One explanation of such difference could be the unique position of the fund. Being one of the biggest hedge funds in the world, Elliott's strategy and outcomes might constitute more of an exception rather than the (p. 344) (p. 345) (p. 346) general rule. Its large size combined with relatively larger targets might need more aggressive campaigns through leveraging public exposure.

We also found that Elliott's campaigns had considerable impact. In response to Elliott's demands, the target firms have changed their strategies. Also, five out of six campaigns showed an immediate increase in the target firms' stock prices after the campaign announcement. Although the campaign in South Korea yielded a decrease in stock prices, the stock prices of the target firm's affiliates did increase. Changes in corporate governance, particularly board structure and composition, were observed in the US, Germany, and Italy.

Although Elliott may not be representative of the HF industry, its international exposure and the publicity of its campaigns provide an interesting case to compare cross-country differences in the nature and outcomes of HF interventions. It is also worth mentioning that the case of Elliott demonstrates the similarities between the US and UK campaigns. Perhaps, this is due to the institutional proximity of the two markets, highlighting the limitations associated with the US/non-US distinction.

13.6 DISCUSSION: FUTURE RESEARCH ON HEDGE FUND ACTIVISM

By synthesizing the nascent research exploring HF activism outside the US, our study reveals a number of important differences in antecedents, tactics, target firm responses, and outcomes of HF activist campaigns. These differences indicate that country characteristics play an important role in shaping the nature and outcomes of HF activism. Our analysis has revealed that HF activism has now evolved primarily from a US-based to a truly global phenomenon. In terms of size and geographic coverage, we have observed that the HF activist campaign battlefields are increasingly shifting from the US toward

Europe and APAC. This is in sharp contrast with our review of the empirical research on HF activism. Taking stock of what we know about HF activism antecedents, tactics, target firm responses, and outcomes, it became apparent that the current understanding of the phenomenon is primarily based on the insights generated from the US context, underscoring a substantial void in the literature. In this section, we outline several important research gaps that surfaced from our analysis and suggest potential avenues for further scholarly exploration.

Our literature review highlights that existing knowledge on HF activism, with regard to both targets and the origins of the activists, remains geographically concentrated on US firms. Comparatively fewer studies have focused on HF activism in Europe (e.g. Germany, Italy, and France), APAC, and other countries. Of 53 studies covered in our review, only three studies had three or more countries in their sample, in stark contrast with the empirical data on HF activism. Given that a substantial share of HF activist campaigns has already occurred in the APAC region, it becomes of paramount (p. 347) importance to also understand the peculiarities of HF activism in that part of the world. In other words, more research is needed on HF activism in APAC countries such as China, Hong Kong, Australia, and Indonesia, where HF activist engagements are on the rise. For instance, Aristeia Capital's investment in China's Sina Corporation is valued at more than \$263m and Hong Kong's HF Oasis Management has also become more active, targeting three Japanese firms in 2018 (Lazard, 2019). In addition, there were also noticeable HF activism events in 2017 and 2018 in other OECD countries such as Canada (with 18), Brazil (with 4), and Mexico (with 1), indicating a need to understand HF activism in those countries. Yet, these HF activist events remain unexplored in the literature.

Moreover, with regard to the distinction between US-based and non-US HF activism, only one study in our review has explicitly addressed this topic (Becht et al., 2017). While the academic literature is largely silent on this matter, the business press points out the distinct behavior of non-US HF activists (Wieczner, 2015; *The Economist*, 2017; Agnew, 2019). Their significant size and growing influence worldwide (Lazard, 2018) encourage further exploration of the potential differences among HF activists from different environments. Becht et al. (2017) have taken an initial step in that direction by comparing the performance between local and foreign funds. However, more research is needed to disentangle what makes domestic HF activists outperform their foreign counterparts and how domestic environments shape HF activist tactics in different institutional settings. Future research could build on the extensive body of international business (IB) literature to understand the performance differences attributable to institutional environments where HF activists engage with target firms. Due to the presence of greater information asymmetry (e.g. Baik et al., 2013), investors' decisions to expand abroad might differ from the managers' decisions, which prompts researchers to re-examine the effects of liability of foreignness (Zaheer, 1995) or outsidership (Johanson and Vahlne, 2009), host and domicile country effects (Pudelko and Harzing, 2007), and global or multidomestic strategies (Taylor et al., 1996) in the context of the internationalization of hedge funds. Furthermore, the investment regulations (Cumming and Dai, 2009) and working culture (e.g. Bacon et al., 2012) likely vary extensively between the domicile country and host country,

thereby limiting capital flows or causing exits. Lastly, future studies could turn to the monetary policy literature, as it constitutes an important institutional characteristic, and explore its effects on the antecedents and outcomes of HF campaigns outside the US. In particular, non-conventional monetary policies, such as quantitative easing, bring important implications for HFs in terms of distortions of asset pricing in both developed (Benford et al., 2009) and emerging economies (Bowman et al., 2014), which could make it more difficult for HFs to identify undervalued stock.

Our review also points out the need for more understanding of the globalization of HF activism. Several potential research questions should be explored in future research. Why do HFs remain local or go international? Why do HFs choose specific countries? Is it because of the target firms or is it because of the formal institutions in which they can exploit weaker protection of shareholder rights in the destination country? Do HFs (p. 348) from different countries have similar or different motivations when internationalizing? What could be the potential barriers for HF activism? Such questions could help us better understand the motivations behind HF internationalization. Using a comparative approach would be particularly helpful in this endeavor.

The geographic fragmentation of current knowledge on HF activism presents several opportunities for advancing field knowledge by exploring similar research questions across national contexts. Replicating studies in different contexts can provide a more nuanced understanding of how institutional differences shape the nature and outcomes of HF activist campaigns. In Table 13.10, we identify key differences between empirical insights based on the US and non-US data that provide ample research opportunities. For example, there is evidence that reputation and the past success of HF activists are important ingredients for the success of HF activist campaigns in the US (Boyson and Mooradian, 2011; Krishnan et al., 2016). We also see that extant research on the determinants of an HF's exit decision (Boyson and Pichler, 2019) and taking fulcrum positions in target firms (Cheng et al., 2015; Lim, 2015; Gantchev and Jotikasthira, 2017; Guo et al., 2018) are limited only to the US context. Meanwhile, there are also research angles within the field which have been explored within non-US settings only. For example, Panina (2012) examines the implications for activist HF managers in Russia, who experienced personal threats for engaging in public campaigns and eventually had to flee the country. However, we cannot be certain that findings generated from a single context can be transferred to other contexts, such as from the US to non-US and vice versa.

We also outline more general avenues for future research with respect to each of the research sub-streams: HF activism's antecedents, tactics, target firm responses, and outcomes. Although some studies have already delved into what type of firms HF activists do target and the consequences of HF activism for target firms, the extant empirical results are largely mixed. For instance, previous studies have shown both positive and negative consequences of HF activism on market valuation and the operating performance of target firms. Perhaps a meta-analysis on who benefits the most from the activist interventions could help solve this conundrum. Another potential avenue is the exploration of contingency factors influencing the success of HF activist campaigns. There is already

nascent research about how target firm (e.g. Bajo et al., 2013) and HF activist characteristics (e.g. Krishnan et al., 2016) influence the strategies and outcomes of activist interventions. Future studies can explore further how these contingency factors interact with other factors at the industry and country levels. Moreover, it is also important to identify who really benefits from HF activism; is it really to improve the target firm, the target firms' shareholders, other stakeholders (i.e. employees, supply chain, among others), or merely for the HF activist themselves? One way to identify HF activism's "real" effects is to compare all the outcomes together.

Moreover, previous studies restricted to the US setting have argued that specific firm characteristics such as a high degree of diversification, financial distress, (p. 349) over-collateralized debt, a high degree of managerial entrenchment, and the presence of extensive takeover defenses are associated with a higher probability of being targeted by HF activists. However, current research is largely silent about whether these firm characteristics are associated with the likelihood of HF activism outside the US context. With regard to the outcomes for target firms, previous studies also suffer with the transferability of the research findings from a single context. An example of this is a study by Fichtner (2015) arguing that HF activism reduces blockholding in Germany. How would this research finding hold to the Anglo-Saxon context which historically has dispersed shareholding structure? Future research could use a multi-country sample in order to address such shortcomings.

One alternative for resolving the mixed findings in the literature is to adopt a configurational approach to understand the wide array of factors surrounding HF activism (Furnari et al., 2017). Perhaps the inconclusive results can be attributed to previous studies that have largely assumed and analyzed the individual effects of the factors. However, such an assumption might not capture the complexity of HF activism. Although interaction models could nuance the relationships being studied, such modelling techniques may not capture the causal complexity and interdependencies of several factors at once. Moreover, there is also the possibility of equifinality when it comes to the relationship among the different factors surrounding HF activism. For example, Bell et al. (2013) found that the presence or absence of institutional investors would depend on other factors to be associated with higher market valuation. Thus, analyzing the factors in bundles may be a worthwhile approach to nuance our understanding of the antecedents and effects of HF activism.

Furthermore, a missing piece in the literature concerns HF activists themselves. Aside from the increase in HF activist campaigns, the number of HF activists has also grown steadily over the years both inside and outside the US. We speculate that these HF activists are likely to be heterogeneous. In particular, anecdotal evidence suggests that some HFs are larger and more geographically diverse than others, in which some HFs are also more successful than others. Moreover, there are likely other factors that could also affect the outcomes of future campaigns. For instance, future research should explore the role of HF activists' characteristics, managerial discretion, and resources in the success

and failure of the campaigns. A qualitative approach may provide answers to these questions.

Another potential topic is the tactics used by HF activists. The review has shown the variety of tactics available. However, we know little about which tactic would produce better outcomes and how these tactics perform in different institutional contexts. The empirical research on HF activism has not accounted for the effect of differences in tactics used by HFs in their campaigns. Even more ambiguous is the degree to which each tactic would likely produce a specific outcome. Related to that is whether HF activists consider firm heterogeneity when planning their campaigns. Do HF activists use the same or different tactics in similar or different types of firms, and why? And what would be the consequences of choosing one over another? With regard to the different types of (p. 350) tactics, previous studies have shown that US HF activists are effective in using fulcrum positioning to gain influence on target firms. Would this tactic be effective for non-US HF activists? Moreover, the incidence of a wolfpack tactic is gaining prominence in HF activism worldwide. The question here would be to what extent the wolfpack tactic contributes to the success/failure of campaigns. How do HFs build coalitions with other shareholder activists? Using a network perspective to understand the mechanisms involved in wolfpacks could produce some useful insights.

In terms of outcomes, one understudied area of inquiry is the response of target firms to HF activist campaigns. Why do firms respond the way they do to such campaigns? Are there noticeable differences in how target firms from different countries respond to HF activist campaigns? Buchanan et al. (2018) argue that culture could play a role, as shown in their study in the Japanese context. Exploring how informal institutions such as national culture and norms would contribute to the engagement between HF activists and the target firms could be a potential subject for research.

Another area for future research could tackle how HF activism affects other stakeholders. This chapter concurs with Ahn and Wiersema (2021) in pointing out the lack of understanding of the interaction and influence between HF activists and external parties such as the media, proxy advisory firms, legal counsel, and investment banks. This knowledge gap opens up the possibilities of a stakeholder approach, since HF activism is likely affecting a wider group of interests beyond the shareholders and HFs, and thus deviating from the dominant agency perspective used in research on HF activism.

Finally, it would be interesting and it is also important to study the role and effect of HF activism on other corporate governance mechanisms. Prior research and anecdotal evidence suggest that the prevalence of HF activism is associated with specific features of internal corporate governance mechanisms (Federo et al., 2020), such as less independent boards and a weak incentive for investment return in the executive compensation structure (Brav et al., 2010), and institutional frameworks (e.g. Panini, 2012; Katelouzou, 2014). However, it is yet to be determined whether HF activism would be a substitute (or a complement) to such mechanisms. A configurational perspective would be helpful to untangle such possibilities, since HF activism being a subtype of shareholder activism would

likely be interdependent within the bundle of other corporate governance mechanisms (Aguilera et al., 2008).

In conclusion, this chapter shows that HF activism remains a fertile ground for future research. Although HF activism has evolved into a global phenomenon, research on this topic is still at the embryonic stage. This chapter highlights several gaps in the literature which need to be explored if we are to have a more comprehensive understanding of HF activism across different national contexts. Although this chapter has outlined some cross-national similarities and differences in HF activism, the globalization of HF activism persists as an important phenomenon in corporate governance, thus welcoming future research on the subject.

(p. 351) Appendix 1 Summary of empirical research on HF activism

Gone Global: The International Diffusion of Hedge Fund Activism

Author(s)	Context	Type of study	Sample	Main findings
Bratton (2006)	US	Quantitative	130 US firms identified in business press since 2002 and 2006 as targets of activist HFs	HFs are successful in having firms acceding to their demands; a large proportion of activists use their power to gain board representation; indefinite investments predominate in the sample; large cash payouts do not negatively impact the targets; no evidence of sizable cost cutting; no evidence of above market returns from investments in activists' portfolios

Gone Global: The International Diffusion of Hedge Fund Activism

Brav, Jiang, Partnoy,
and Thomas (2008)

US

Quantitative

236 HFs from
2001–2006 for 1056
events

HFs target smaller firms that are underperforming in the market. The targeted firms have positive abnormal returns after the entry of the HF. HFs do succeed implementing their objectives and improving performance of the target firms. HFs serve as the middle ground between the internal large block holders and external corporate raiders.

Gone Global: The International Diffusion of Hedge Fund Activism

Clifford (2008)	US	Quantitative	197 unique HF families with at least 1 active block from 1998–2005	Target firms of activist HFs earn larger access stock returns and operating performance (ROA) than targets of passive HFs; activists have longer lock-ups and withdrawal notification periods comparing to passive HFs. Active blocks of HFs earn higher returns than passive blocks.
-----------------	----	--------------	--	---

Gone Global: The International Diffusion of Hedge Fund Activism

Klein and Zur
(2009)

US

Quantitative

151 HF activist
campaigns from
2003-2005

HFs differ from other activist investors. HF targets create value as shown by a 10.2% average abnormal stock returns and 11.4% in the subsequent year. HFs enjoy 60% success rate in accomplishing their objectives. The key difference between HFs and other activists is that HFs target profitable and financially healthy firms, and HFs address the free cash flow problem.

Gone Global: The International Diffusion of Hedge Fund Activism

Greenwood and Schor (2009)	US	Quantitative	990 activist events from 1993–2006, where 784 are unique HFs.	Firms that are targeted by activists are more likely to get acquired. HFs are more suited to identify undervalued targets prompting a takeover than at fixing corporate strategy or tackling long-term corporate governance issues.
Klein and Zur (2011)	US	Quantitative	253 bonds from 1994–2006.	HF activism significantly reduces bondholders' wealth.

Gone Global: The International Diffusion of Hedge Fund Activism

Boyson and Moordian (2011)	US	Quantitative	418 HF-target pairs from 1994–2005	HF activism improves both short-term stock performance and long-term operating performance. The improvement in performance can be attributed to the changes in corporate governance and reductions in excess cash.
Cheng, Huang, Li, and Stanfield (2012)	US	Quantitative	453 activists and 2,981 events from 1994–2008	Target firms increased their level of tax avoidance for a persistent period of time, and thus also increased the firm value.

Gone Global: The International Diffusion of Hedge Fund Activism

Muhtaseb and Grover (2012)	US	Case study	5 cases capturing activist campaigns from 2003–2009.	The main value creating strategy of selected campaigns by activist HFs was to increase efficiency and improve corporate governance of target firms.
Jiang, Li, and Wang (2012)	US	Quantitative	474 Chapter 11 cases from 1996–2007	HFs balance the power between debtors and secured creditors during Chapter 11 filings. HFs tend to influence managers to be neutral actors during Chapter 11 proceedings. HFs also choose target firms that have over-collateralized secured debt

Gone Global: The International Diffusion of Hedge Fund Activism

Gantchev (2013)	US	Quantitative	1,164 unique campaigns from 2000-2007	The returns from HF activism outweigh the high monitoring cost of activist shareholders. Activists earn more than the passive investors.
Sunder, Sunder, and Wongsunwai (2014)	US	Quantitative	2,109 loans of 610 firms from 1995-2008	Cost of debt increases when HFs force mergers or capital structure changes. Whereas, it decreases when HFs block mergers and resolve managerial entrenchment problems. Overall, HF activism increases borrowing costs for the target firms.

Gone Global: The International Diffusion of Hedge Fund Activism

Norli, Ostergaard, and Schindele (2014)	US	Quantitative	385 activist events from 1993–2007	Informed trading is a substantive driver behind the positive effect of liquidity on activism. Activists accumulate more stocks in targets that have more liquid stock.
Bebchuk, Brav, and Jiang (2015)	US	Quantitative	2,040 filings from 1994–2007	The claim that HF activism has negative effects on long-term performance is not supported by data.

Gone Global: The International Diffusion of Hedge Fund Activism

Brav, Jiang, and Kim
(2015b)

US

Quantitative

1,987 activist
events from 1994-
2007

Campaigns by activist HFs are positively related with target firms' increase in productivity within a three-year period. The effects are amplified when the campaigns address operational issues such as strategy and asset sales when compared with more general targets such as undervaluation or capital structure.

Gone Global: The International Diffusion of Hedge Fund Activism

Cheng, Huang, and Li (2015)	US	Quantitative	1,901 activist events involving 1,429 target firms from 1994-2005	Activist HF campaign is associated with greater accounting conservatism. The effect is more pronounced when the ownership stake of activists is larger, and the campaign strategy is more aggressive.
Lim (2015)	US	Quantitative	184 distressed firms from 1998-2009	Distressed investing is an important stream within HF activism as they capture some of the rents from reorganization of economically healthy but financially distressed firms. Participation of activist HFs in restructuring is associated with more positive performance outcomes.

Gone Global: The International Diffusion of Hedge Fund Activism

Aslan and Kumar (2016)	US	Quantitative	1,332 unique target firms with 1,610 campaigns from 1996–2008	HF activism has a significant yet diverse spillover effect on the industry rivals of target firms. The diverse nature of spillover effects is driven by rivals' post-activism improvements, financial constraints and threat of becoming a target for HF activists. Industry competitive structure also has a significant effect on the nature of spillover effects.
------------------------	----	--------------	---	--

Gone Global: The International Diffusion of Hedge Fund Activism

Chen and Jung (2016)	US	Quantitative	Quarterly guidance decisions from 1999–2011 for firms owned by at least one activist HF with the total of 6,127 firm-quarters from 2,689 unique firms.	Firms targeted by activist HFs are more likely to reduce providing financial guidance.
Krishnan, Partnoy, and Thomas (2016)	US	Quantitative	578 activist HFs	The success of top HF activists is mainly driven by their reputation of past success in difficult campaigns.

Gone Global: The International Diffusion of Hedge Fund Activism

Allaire and Dauphin
(2016)

US

Quantitative

259 target firms in
2010 and 2011.

Largest proportion
of shareholder val-
ue increase comes
from divestures,
mergers, and spin-
offs. The increase of
operating perfor-
mance is mainly
due cost cutting,
share buy backs,
sale of assets, and
similar financial
maneuvers.

Gone Global: The International Diffusion of Hedge Fund Activism

Artiga González and Calluzzo (2019)	US	Quantitative	2,435 shareholder activists from 2000–2011	Clustered shareholder activists are more likely to target larger firms. Geographic proximity increases the likelihood of clusters to emerge. Both findings suggest that the key motive behind clustered shareholder activism is cost reduction. Firms targeted by both single and clustered shareholder activists exhibit higher performance outcomes (measured as cumulative abnormal returns)
-------------------------------------	----	--------------	--	---

Gone Global: The International Diffusion of Hedge Fund Activism

Kastiel (2016)	US	Quantitative	209 activists targeting 110 firms	HF Activism in controlled firms is not so different from that in widely held firms. The likelihood of an activist campaign is lower in controlled firms than widely held firms. The data does not support that activism in controlled firms focuses on governance changes, low profile engagements, collaborative strategies, and easy targets. Activism also occurs to operate with legal and formal bargaining mechanisms to discipline controllers.
----------------	----	--------------	-----------------------------------	--

Gone Global: The International Diffusion of Hedge Fund Activism

Gantchev and
Jotikasthira (2017)

US

Quantitative

1,191 activist HF
campaigns involv-
ing 981 unique tar-
gets from 2000-
2007

Activist HFs are
more likely to pur-
chase shares in tar-
get firms with insti-
tutional sales. The
authors explain the
relationship
through camouflage
strategy used by ac-
tivist HFs to quickly
accumulate target
shares and to gain
on these shares
once the HF owner-
ship stake is public.

Gone Global: The International Diffusion of Hedge Fund Activism

Boyson, Gantchev, and Shivdasani (2017)	US	Quantitative	2,096 activist campaigns from 2000-2012 and 3,215 mergers from 2000-2014.	HF activism creates shareholder value by increasing the probability of takeover of target firms. It also leads to greater target announcement returns, acquisition premia, and completion rates. The results are reversed when an HF activist is a bidder.
---	----	--------------	---	--

Gone Global: The International Diffusion of Hedge Fund Activism

Carrothers (2017)	US	Quantitative	613 even year HF activist campaigns with matched peers.	Activist HFs target firms with high profitability and cash flows that are undervalued or underperforming in the market. Activists' campaign leads to increase in leverage, executive compensation, pay for performance and probability of CEO turnover. Executives' wealth is more sensitive to share value after the campaign.
Khurana, Li, and Wang (2018)	US	Quantitative	510 HF activism events from 2001-2013	Target firms faced by an activist HF are more likely to withhold bad news conveyed in management earnings forecasts and are more likely to engage in earnings

management. The latter is more probable when firms increase bad news disclosures during an activists' campaign. The bad news withholding increases when activists' strategies are more confrontational, when the event is carrying through a prolonged period, the company is operating in a volatile market of time or when activists have more power (ownership) and a reputation for successful campaigns (replacing CEO/CFO). Analyst coverage counterbalances the negative influence of activist HF cam-

Gone Global: The International Diffusion of Hedge Fund Activism

				paings on the probability of management withholding bad news.
Brav, Jiang, Ma, and Tian (2018)	US	Quantitative	HF activist campaigns from 1994-2007 (target firms and matched peers).	While R&D spending drops the innovation, efficiency increases during first 5 years after HF activists' campaign. This effect is especially pronounced among firms with more diversified patent portfolios. This is further enhanced by reallocation of innovative resources and redeployment of human capital.

Gone Global: The International Diffusion of Hedge Fund Activism

Swidler, Trinh, and Yost (2019)

US

Quantitative

1,301 acquisition events out of which 138 have an activist investor involved from 1996–2015

Acquirers with ownership by activist investors experience higher abnormal returns and are less likely engage in value destroying transactions compared to acquirers without ownership by activist investors. The market reaction is more positive when value-destroying transaction is withdrawn by an acquiring firm with activist investors than by acquirers without activist investors.

Gone Global: The International Diffusion of Hedge Fund Activism

Bilinski, Cumming,
Hass, Stathopoulos,
and Walker (2018)

US

Quantitative

374,615 target
prices for 4,326 US
firms issued by
6,734 analysts em-
ployed by 433 bro-
kers

Analysts' target
price forecasts are
positively biased to
cater to short-term
investors (HFs).
This is especially
evident among ana-
lysts at broker firms
without an invest-
ment banking arm.
The market does
not discount the
bias, allowing short-
term shareholders
to exploit tempo-
rary overpricing.
The catering broker
firms are being re-
warded by higher
future trades involv-
ing short-term in-
vestors.

Gone Global: The International Diffusion of Hedge Fund Activism

Chen and Feldman (2018)	US	Quantitative	4,035 divestures by 464 of Fortune 500 firms from 2007-2015	Divestures initiated by HF activists are more positively associated with immediate and longer-term shareholders value than management-led divestitures.
Harford, Kecskes, and Mansi (2018)	US	Quantitative	95,463 firm-year observations of US publicly listed firms from 1985-2012.	Long-term investors generally decrease managerial opportunism and improve corporate governance of firms they invest in. *Hedge-funds are classified as short-term investors. Firms targeted by HF activists are more likely to be acquired than those with the presence of long-term owners.

Gone Global: The International Diffusion of Hedge Fund Activism

Guo, Gang, Hu, and Utham (2018)

US

Quantitative

Matched sample of 241 observation of HF activist engagements from 1994-2014

Market reacts positively on HF activist campaign announcements irrespective of derivatives usage and the usage of derivatives reduces idiosyncratic volatility of the targets. HF targeting smaller firms are less likely to use derivatives. Yet abnormal returns on HF campaigns using derivatives were lower than the abnormal returns of HF campaigns with direct purchase of shares. Also, the decrease in idiosyncratic volatility of the target firm was lower for campaigns where derivatives were used.

Gone Global: The International Diffusion of Hedge Fund Activism

Boyson and Pichler
(2019)

US

Quantitative

2200 HF activist
campaigns from
2001-2012

Target management is more likely to engage in hostile resistance when faced with potential loss of control; aggressive activists; high agency conflict; entrenched managers and threat of investor coordination. Hostile resistance of the target reduces the positive market reaction to the activist campaign. However, counter-resistance by the HF activist appears to reduce this negative impact.

Gone Global: The International Diffusion of Hedge Fund Activism

Becht, Franks, Mayer, and Rossi (2008)

UK

Case study

41 engagements of HUKFF to different companies.

Activism outcomes are not easily observable. The benefits come in the form of private engagements, whereby the fund outperforms benchmarks and abnormal returns are attributable to engagements rather than stock pricing.

Gone Global: The International Diffusion of Hedge Fund Activism

Bellini (2009)	Italy	Case study	Algebris Investments LLP targeting Generali SPA	Italian HFs have the same characteristics as with other jurisdictions, with regard to the objectives, patterns of engagement, and monitoring roles. However, Italian HFs are unique because of the Italian regulatory framework that allows SHs to automatically gain board seats or convene an SH general meeting. Thereby, giving Italian HFs more capacity to challenge large controlling block holders.
----------------	-------	------------	---	---

Gone Global: The International Diffusion of Hedge Fund Activism

Bessière, Kaestner, and Lafont (2011)	France	Case study	Centaurus and Pardus targeting Atos Origin	Context can create managerial entrenchment despite the relevance of strategic changes required by activists. The case shows that activists may lose focus on the primary objective, which has led to their failure.
Gospel, Pendleton, Vitols, and Wilke (2011)	Germany	Case study	Kuka targeted by Wyser-Pratte	Ownership type by funds is less significant than the objectives of the activist funds. HFs lead for substantial labor changes, in contrast to other types of funds. National regulation is a moderating factor on the impact of different types of funds.

Gone Global: The International Diffusion of Hedge Fund Activism

Sudarsanam and Broadhurst (2012)	Germany	Case study	The Children's Investment fund, Atticus Capital, and Harris Associates opposing the takeover bid of Duetsche Borsche to London Stock Exchange.	Provides the processes used by a small activist investor to thwart a takeover offer of a large investor. The initial objective to prevent the takeover evolved to improvement of long-term performance of the target firm. The paper shows the prospect of HFs as a powerful tool for corporate governance not only in Germany but in Europe in general. The paper ultimately demonstrates coercive isomorphism when it comes to governance practice diffusion in Germany.
----------------------------------	---------	------------	--	--

Gone Global: The International Diffusion of Hedge Fund Activism

Panina (2012)	Russia	Case study	Hermitage fund	The risks arising from activist campaigns are not only financial but also related to the stakeholders in general. This includes targeting the managers or executives of the fund personally.
---------------	--------	------------	----------------	--

Gone Global: The International Diffusion of Hedge Fund Activism

Erede (2013)

Multi-country (excluding the US): Italy and Germany

Case study

29 HFs in 40 Italian firms during 2007 and 2008

HFs serve as a CG mechanism to protect the interests of minority shareholders in Italian firms. German firms have more HF campaigns as compared to Italian firms. The surge for HF activism in Germany is attributed to the dispersion of ownership. Italian HF activists are more constructive, as compared to the more hostile approach in German firms.

Gone Global: The International Diffusion of Hedge Fund Activism

Weber and Zimmermann (2013)

Germany

Quantitative

230 published transactions from 2005-2008

There is a positive information and volume effect after the announcement of the acquisition of HFs, which can be an indicator of insider trading. However, there is also a price-reversal 20 days after the publication of the transaction. There is no price effect upon exit of the HF.

Gone Global: The International Diffusion of Hedge Fund Activism

Buchanan, Chai,
and Deakin (2014)

Japan

Case study

30 entities for inter-
view

Traditional agency theory does not work in Japan. Shareholders view managers as servants of multiple constituencies. When activist HFs asserted their causes, Japanese managers were surprised and eventually resisted. Shareholders were in a supporting role rather than adversaries. Monitoring was internalized using the logic of accountability.

Gone Global: The International Diffusion of Hedge Fund Activism

Mietzner and Schweizer (2014)	Germany	Quantitative	67 HF-targeted firms, 159 PE-targeted firms	HF's and private equity investors differ from other blockholders because of their strong motivation and ability to engage and reduce agency costs. There are positive abnormal returns after the announcement of acquisition by HF's and PE investors. PE is more successful in addressing agency problems. But HF's have long-lasting returns.
Katelouzou (2014)	Multi-country (including the US)	Quantitative	432 campaigns in 25 countries from 2000–2010	Legal parameters change how HF activism is done in different jurisdictions. There are four stages of HF activism: entry, trading, disciplining,

Gone Global: The International Diffusion of Hedge Fund Activism

				<p>and exit. Mandatory disclosure and rights of shareholders influence the entry and trading of HFs to a country. There is no evidence showing that the disciplining stage depends on the protection regime of the country. Ultimately, the legal framework is insufficient to explain HF activism. Other factors such as the size, performance, and ownership structure could be the drivers of HF activism worldwide.</p>
--	--	--	--	---

Gone Global: The International Diffusion of Hedge Fund Activism

Bessler, Drobetz, and Holler (2015)	Germany	Quantitative	231 events, 81 target firms, and 111 HFs	HFs are able to increase SH value in both the short and long term. Aggressive HFs are able to generate superior returns in a short period before and after the campaign. But this will be reversed later, and the non-aggressive HFs outperform the aggressive ones.
Voußem, Schäffer, and Schweizer (2015)	Germany	Quantitative	78 events from 2001–2008, total observations of 1,871	There is no increase in top management turnover in the presence of HF activists in German firms. It can actually reduce the turnover.

Gone Global: The International Diffusion of Hedge Fund Activism

Bajo, Barbi, Bigelli, and Hillier (2013)	Italy	Quantitative	85 public-to-private acquisition offers in Italy from 1998–2012	If there is an institutional shareholder, the probability of a successful bid is lower and there is a bid premium size increase.
Filatotchev and Dot-senko (2015)	UK	Quantitative	270 activism events targeting 217 firms in the UK from 1998–2008	Activists tend to target underperforming companies. There are positive abnormal returns in the short term, while negative abnormal returns in the medium term. However, these findings are not statistically significant.

Gone Global: The International Diffusion of Hedge Fund Activism

Fichtner (2015)	Germany	Case study	3 firms	HFs pursue activist strategies to increase the value of the firm. But sometimes, they ride along with blockholders to keep pace with a rising stock price. Overall, HF activism has shown an impact on German target firms. And this can also be attributed to the decrease in blockholding in German firms.
Brav, Jiang, and Kim (2015a)	Multi-country (including the US)	Quantitative	2,624 activism events	Operating performance and abnormal stock returns are positive following the campaign. The real effects of HF activism are generally positive.

Gone Global: The International Diffusion of Hedge Fund Activism

Becht, Franks,
Grant, and Wagner
(2017)

Multi-country (in-
cluding the US)

Quantitative

1,740 activist en-
gagements in 23
countries in Asia,
Europe, and North
America between
2000 and 2010

Activism is success-
ful in creating
shareholder value
across countries.
US activists are
most successful in
the domestic mar-
ket. Non-US ac-
tivists outperform
US activists in their
domestic markets.

Gone Global: The International Diffusion of Hedge Fund Activism

Buchanan, Chai, and Deakin (2018)	Japan	Quantitative	117 targeted Japanese firms from 2000–2008 by 17 funds	HF activism in Japan is different than in the US setting. Japanese firms are more hostile to HF activism. In Japan, campaigns harmed more than improved management effectiveness, management strategy has not changed. There is no evidence of positive market reactions in Japan after the campaign.
-----------------------------------	-------	--------------	--	---

References

- Activist Insight, 2019. *The Activist Investing Annual Review 2019*. Activist Insight Ltd.
- Agnew, H., 2019. "London hedge fund steps up campaign at Lagardère," *Financial Times*. Retrieved from <http://www.ft.com>.
- Aguilera, R. V., Filatotchev, I., Gospel, H., and Jackson, G., 2008. "An organizational approach to comparative corporate governance: Costs, contingencies, and complementarities," *Organization Science*, 19(3), 475–492.
- Ahn, A. and Wiersema, M., 2021. "Activist hedge funds: Beware the new titans," *Academy of Management Perspectives*, 35(1), 96–122.
- Allaire, Y. and Dauphin, F., 2016. "The game of 'activist' hedge funds: Cui bono?" *International Journal of Disclosure and Governance*, 13(4), 279–308.
- Artiga González, T. and Calluzzo, P., 2019. "Clustered shareholder activism," *Corporate Governance: An International Review*, 27(3), 210–225.
- Aslan, H. and Kumar, P., 2016. "The product market effects of hedge fund activism," *Journal of Financial Economics*, 119(1), 226–248.
- Bacon, N., Wright, M., Meuleman, M., and Scholes, L., 2012. "The impact of private equity on management practices in European buy-outs: Short-termism, Anglo-Saxon, or host country effects?" *Industrial Relations: A Journal of Economy and Society*, 51, 605–626.
- Baik, B., Kang, J. K., Kim, J. M., and Lee, J., 2013. "The liability of foreignness in international equity investments: Evidence from the US stock market," *Journal of International Business Studies*, 44(4), 391–411.
- Bajo, E., Barbi, M., Bigelli, M., and Hillier, D., 2013. "The role of institutional investors in public-to-private transactions," *Journal of Banking & Finance*, 37(11), 4327–4336.
- Balmer, C., 2018. "Activist fund SVM takes stake in Italy's TIM backs Elliott." Reuters. Retrieved from <http://www.reuters.com>.
- BBC News, 2018. "Whitbread shares soar as activist investor builds stake." BBC News. Retrieved from <http://www.bbc.com>.
- Bebchuk, L. A., Brav, A., and Jiang, W., 2015. "The long-term effects of hedge fund activism." (No. w21227). National Bureau of Economic Research.
- Becht, M., Franks, J., Mayer, C., and Rossi, S., 2008. "Returns to shareholder activism: Evidence from a clinical study of the Hermes UK Focus Fund," *The Review of Financial Studies*, 22(8), 3093–3129.

Gone Global: The International Diffusion of Hedge Fund Activism

Becht, M., Franks, J., Grant, J., and Wagner, H. F., 2017. "Returns to hedge fund activism: An international study," *The Review of Financial Studies*, 30(9), 2933–2971.

Bell, R. G., Aguilera, R. V., and Filatotchev, I., 2013. Corporate Governance and Configuration Research: The Case of Foreign IPOs Listing in London. In P. C. Fiss, B. Cambre, and A. Marx (eds), *Configurational Theory and Methods in Organizational Research* pp. 159–180. Bingley, UK: Emerald Group Publishing Limited.

Bellini, E., 2009. "Hedge fund activism in Italy," *Journal of Corporate Law Studies*, 9(1), 201–234.

Benford, J., Berry, S., Nikolov, K., Young, C., and Robson, M., 2009. "Quantitative easing," *Bank of England. Quarterly Bulletin*, 49(2), 90.

Bessière, V., Kaestner, M., and Lafont, A. L., 2011. "Hedge fund activism: insights from a French clinical study," *Applied Financial Economics*, 21(16), 1225–1234.

Bessler, W., Drobetz, W., and Holler, J., 2015. "The returns to hedge fund activism in Germany," *European Financial Management*, 21(1), 106–147.

(p. 364) Bilinski, P., Cumming, D., Hass, L., Stathopoulos, K., and Walker, M., 2018. "Strategic distortions in analyst forecasts in the presence of short-term institutional investors," *Accounting and Business Research*, 1–37.

Bowman, D., Londono, J. M., and Sapriza, H., 2014. "U.S. Unconventional Monetary Policy and Transmission to Emerging Market Economies." Board of Governors of the Federal Reserve System International Finance Discussion Paper No. 1109.

Boyson, N. M. and Mooradian, R. M., 2011. "Corporate governance and hedge fund activism," *Review of Derivatives Research*, 14(2), 169–204.

Boyson, N. M. and Pichler, P., 2019. "Hostile resistance to hedge fund activism," *The Review of Financial Studies*, 32(2), 771–817.

Boyson, N. M., Gantchev, N., and Shivdasani, A., 2017. "Activism mergers," *Journal of Financial Economics*, 126(1), 54–73.

Bratton, W. W., 2006. "Hedge funds and governance targets," *Georgetown Law Journal*, 95, 1375.

Brav, A., Jiang, W., Partnoy, F., and Thomas, R., 2008. "Hedge fund activism, corporate governance, and firm performance," *The Journal of Finance*, 63(4), 1729–1775.

Brav, A., Jiang, W., and Kim, H., 2010. "Hedge fund activism: A review," *Foundations and Trends® in Finance*, 4(3), 185–246.

Brav, A., Jiang, W., and Kim, H., 2015a. "Recent advances in research on hedge fund activism: Value creation and identification," *Annual Review of Financial Economics*, 7, 579–595.

Gone Global: The International Diffusion of Hedge Fund Activism

Brav, A., Jiang, W., and Kim, H., 2015b. "The real effects of hedge fund activism: Productivity, asset allocation, and labor outcomes," *The Review of Financial Studies*, 28(10), 2723-2769.

Brav, A., Jiang, W., Ma, S., and Tian, X., 2018. "How does hedge fund activism reshape corporate innovation?" *Journal of Financial Economics*, 130(2), 237-264.

Briggs, T. W., 2006. "Corporate governance and the new hedge fund activism: An empirical analysis," *Journal of Corporation Law*, 32, 681.

Buchanan, J., Chai, D. H., and Deakin, S., 2014. "Agency theory in practice: A qualitative study of hedge fund activism in Japan," *Corporate Governance: An International Review*, 22(4), 296-311.

Buchanan, J., Chai, D. H., and Deakin, S., 2018. "Unexpected corporate outcomes from hedge fund activism in Japan," *Socio-Economic Review*, 18(1), 31-52.

Carrothers, A. G., 2017. "The impact of hedge fund activism on target firm performance, executive compensation and executive wealth," *Journal of Governance & Regulation*, 6(3), 14-28.

Cheffins, B. R. and Armour, J., 2011. *Offensive Shareholder Activism in US Public Companies, 1900-49*. University of Cambridge Faculty of Law Research Paper, (09).

Chen, J. and Jung, M. J., 2016. "Activist hedge funds and firm disclosure," *Review of Financial Economics*, 29, 52-63.

Chen, S. and Feldman, E. R., 2018. "Activist-impelled divestitures and shareholder value," *Strategic Management Journal*, 39(10), 2726-2744.

Cheng, C. A., Huang, H. H., Li, Y., and Stanfield, J., 2012. "The effect of hedge fund activism on corporate tax avoidance," *The Accounting Review*, 87(5), 1493-1526.

Cheng, C. A., Huang, H. H., and Li, Y., 2015. "Hedge fund intervention and accounting conservatism," *Contemporary Accounting Research*, 32(1), 392-421.

Clifford, C. P., 2008. "Value creation or destruction? Hedge funds as shareholder activists," *Journal of Corporate Finance*, 14(4), 323-336.

Crerend, W. J., 1998. *Fundamentals of Hedge Fund Investing*. New York: McGraw-Hill.

Cuervo, A., 2002. "Corporate governance mechanisms: A plea for less code of good governance and more market control," *Corporate Governance: An International Review*, 10(2), 84-93.

(p. 365) Cumming, D. and Dai, N., 2009. "Capital flows and hedge fund regulation," *Journal of Empirical Legal Studies*, 6(4), 848-873.

Gone Global: The International Diffusion of Hedge Fund Activism

DiChristopher, T., 2018. "Activist investor Paul Singer just chose Sempra Energy as his next turnaround project." CNBC. Retrieved from <http://www.cnbc.com>.

The Economist, 2017. "A Swedish activist speaks softly and carries a big stick." *The Economist*. Retrieved from <http://www.economist.com>.

Elliott Advisors-UK, 2018. "Elliott Advisors (UK) statement on Thyssenkrupp AG." *Business Wire*. Retrieved from <http://www.businesswire.com>.

Erede, M., 2013. "Governing corporations with concentrated ownership structure: An empirical analysis of hedge fund activism in Italy and Germany, and its evolution," *European Company and Financial Law Review*, 10(3), 328-393.

Federo, R., Ponomareva, Y., Aguilera, R. V., Saz-Carranza, A., and Losada, C., 2020. "Bringing owners back on board: A review of the role of ownership type in board governance," *Corporate Governance: An International Review*, 28(6), 348-371.

Fichtner, J., 2015. "Rhenish capitalism meets activist hedge funds: Blockholders and the impact of impatient capital," *Competition & Change*, 19(4), 336-352.

Filatotchev, I. and Dotsenko, O., 2015. "Shareholder activism in the UK: types of activists, forms of activism, and their impact on a target's performance," *Journal of Management & Governance*, 19(1), 5-24.

Filatotchev, I., Jackson, G., and Nakajima, C., 2013. "Corporate governance and national institutions: A review and emerging research agenda," *Asia Pacific Journal of Management*, 30(4), 965-986.

Flak, A. and Barzic, G., 2018. "Elliott hits back at Vivendi over Telecom Italia accusations." Reuters. Retrieved from <http://www.reuters.com>.

Fujita, J., 2018. "Alps Electric shares jump after Elliott backs deal sweetener." Reuters. Retrieved from <http://www.reuters.com>.

Furnari, S., Misangyi, V., Greckhamer, T., Fiss, P., Crilly, D. and Aguilera, R. V., 2017. "Embracing causal complexity: The emergence of a neo-configurational perspective," *Journal of Management*, 43(1).

Gantchev, N., 2013. "The costs of shareholder activism: Evidence from a sequential decision model," *Journal of Financial Economics*, 107(3), 610-631.

Gantchev, N. and Jotikasthira, C., 2017. "Institutional trading and hedge fund activism," *Management Science*, 64(6), 2930-2950.

Gillan, S. L. and Starks, L. T., 2007. "The evolution of shareholder activism in the United States," *Journal of Applied Corporate Finance*, 19(1), 55-73.

Gone Global: The International Diffusion of Hedge Fund Activism

Gospel, H., Pendleton, A., Vitols, S., and Wilke, P., 2011. "New investment funds, restructuring, and labor outcomes: A European perspective," *Corporate Governance: An International Review*, 19(3), 276–289.

Greenwood, R. and Schor, M., 2009. "Investor activism and takeovers," *Journal of Financial Economics*, 92(3), 362–375.

Guo, J., Gang, J., Hu, N., and Utham, V., 2018. "The role of derivatives in hedge fund activism," *Quantitative Finance*, 18(9), 1531–1541.

Harford, J., Kecskés, A., and Mansi, S., 2018. "Do long-term investors improve corporate decision making?" *Journal of Corporate Finance*, 50, 424–452.

Henning, E. and Wilkes, W., 2018. "Thyssenkrupp's CEO Under Fire as Activist Elliott Buys Stake." Bloomberg. Retrieved from <http://www.bloomberg.com>.

(p. 366) Jiang, W., Li, K., and Wang, W., 2012. "Hedge funds and Chapter 11," *The Journal of Finance*, 67(2), 513–560.

Jin, H., 2018. "Hedge fund Elliott calls for fresh revamp at Hyundai Motor Group." Reuters. Retrieved from <http://www.reuters.com>.

Johanson, J. and Vahlne, J. E., 2009. "The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership," *Journal of International Business Studies*, 40(9), 1411–1431.

Kastiel, K., 2016. "Against all odds: Hedge fund activism in controlled companies," *Columbia Business Law Review*, 60.

Katelouzou, D., 2014. "Worldwide hedge fund activism: Dimensions and legal determinants," *University of Pennsylvania Journal of Business Law*, 17, 789.

Kato, K., Li, M., and Skinner, D. J., 2017. "Is Japan really a 'buy'? The corporate governance, cash holdings and economic performance of Japanese companies," *Journal of Business Finance & Accounting*, 44(3–4), 480–523.

Khurana, I. K., Li, Y., and Wang, W., 2018. "The effects of hedge fund interventions on strategic firm behavior," *Management Science*, 64(9), 3971–4470.

Kim, S., 2018. "Elliott revives push to overhaul Hyundai Motor, letter shows." Bloomberg. Retrieved from <http://www.bloomberg.com>.

Klein, A. and Zur, E., 2009. "Entrepreneurial shareholder activism: Hedge funds and other private investors," *The Journal of Finance*, 64(1), 187–229.

Klein, A. and Zur, E., 2011. "The impact of hedge fund activism on the target firm's existing bondholders," *The Review of Financial Studies*, 24(5), 1735–1771.

Gone Global: The International Diffusion of Hedge Fund Activism

Krishnan, C. N. V., Partnoy, F., and Thomas, R. S., 2016. "The second wave of hedge fund activism: The importance of reputation, clout, and expertise," *Journal of Corporate Finance*, 40, 296–314.

Lazard (Lazard's Shareholder Advisory Group), 2018. *2017 Review of Shareholder Activism*.

Lazard (Lazard's Shareholder Advisory Group), 2019. *2018 Review of Shareholder Activism*.

Lee, M. J., 2018. "Hedge fund Oasis seen blocked by Elliott on Alps-Alpine deal." Bloomberg. Retrieved from <http://www.bloomberg.com>.

Lhabitant, F. S., 2007. *Handbook of Hedge Funds* (Vol. 332). John Wiley & Sons.

Lim, J., 2015. "The role of activist hedge funds in financially distressed firms," *Journal of Financial and Quantitative Analysis*, 50(6), 1321–1351.

The Local, 2018. "Telecom Italia board members resign amid battle for control," The Local. Retrieved from <http://www.thelocal.it>.

Martin, B., 2018. "Exclusive: Activist investor Sachem Head pushes Whitbread to consider break-up." Reuters. Retrieved from <http://www.reuters.com>.

McGee, P., 2018. "ThyssenKrupp splits after pressure from investors," *Financial Times*. Retrieved from <http://www.ft.com>.

Mietzner, M. and Schweizer, D., 2014. "Hedge funds versus private equity funds as shareholder activists in Germany—differences in value creation," *Journal of Economics and Finance*, 38(2), 181–208.

Muhtaseb, M. R. and Grover, K. K., 2012. "Hedge fund activism: Cases, analysis and corporate governance," *International Journal of Disclosure and Governance*, 9(3), 264–283.

Norli, Ø., Ostergaard, C., and Schindele, I., 2014. "Liquidity and shareholder activism," *The Review of Financial Studies*, 28(2), 486–520.

Panina, D., 2012. "Shareholder activism in emerging markets: hermitage Fund in Russia," *Journal of Corporate Citizenship*, (48), 11–23.

(p. 367) Pearl, M. A., 2006. "Best practices for hedge funds part 2 of 2," *The Journal of Alternative Investments*, 8(4), 62.

Pudelko, M. and Harzing, A. W. K., 2007. "Country-of-origin, localization or dominance effect? An empirical investigation of HRM practices in foreign subsidiaries," *Human Resource Management*, 46(4), 535–559.

Ryan, L. V. and Schneider, M., 2002. "The antecedents of institutional investor activism," *Academy of Management Review*, 27(4), 554–573.

Gone Global: The International Diffusion of Hedge Fund Activism

- Schneider, M. and Ryan, L. V., 2011. "A review of hedge funds and their investor activism: do they help or hurt other equity investors?" *Journal of Management & Governance*, 15(3), 349-374.
- Sempra Energy, 2018. "Sempra Energy announces agreement with Elliott Management and Bluescape Energy." Sempra Energy. Retrieved from <http://www.sempra.com>.
- Sudarsanam, S. and Broadhurst, T., 2012. "Corporate governance convergence in Germany through shareholder activism: Impact of the Deutsche Boerse bid for London Stock Exchange," *Journal of Management & Governance*, 16(2), 235-268.
- Sunder, J., Sunder, S. V., and Wongsunwai, W., 2014. "Debtholder responses to shareholder activism: Evidence from hedge fund interventions," *The Review of Financial Studies*, 27(11), 3318-3342.
- Swidler, S., Trinh, T., and Yost, K., 2019. "The effects of activist investors on firms' mergers and acquisitions," *Journal of Financial Research*, 42(1), 181-201.
- Tannon, J. M. and Johnson, R., 2005. "Transatlantic private equity: Beyond a trillion dollar force," *The Journal of Private Equity*, 8(3), 77.
- Taylor, S., Beechler, S., and Napier, N., 1996. "Toward an integrative model of strategic international human resource management," *Academy of Management Review*, 21(4), 959-985.
- Tranfield, D., Denyer, D., and Smart, P., 2003. "Towards a methodology for developing evidence-informed management knowledge by means of systematic review," *British Journal of Management*, 14(3), 207-222.
- Voußem, B. A., Schäffer, U., and Schweizer, D., 2015. "Top management turnover under the influence of activist investors," *Journal of Management & Governance*, 19(3), 709-739.
- Weber, P. and Zimmermann, H., 2013. "Hedge fund activism and information disclosure: The case of Germany," *European Financial Management*, 19(5), 1017-1050.
- Weinland, D. and Lewis, L., 2018. "US hedge funds drive surge in Asia investor activism," *Financial Times*.
- Whitbread, 2018. "Whitbread announces a significant acquisition of a portfolio of 19 hotels in Germany." Whitbread. Retrieved from <http://www.whitbread.co.uk>.
- Wieczner, J., 2015. "Meet Europe's best activist investor," *Fortune*. Retrieved from <http://www.fortune.com>.
- Yamashita, A. and Kikuchi, T., 2018. "Activist fund Elliott holds wild card in Alpine buy-out," *Nikkei Asian Review*. Retrieved from <http://www.asia.nikkei.com>.

Gone Global: The International Diffusion of Hedge Fund Activism

Zaheer, S., 1995. "Overcoming the liability of foreignness," *Academy of Management Journal*, 38(2), 341-363.

Ruth V. Aguilera

Ruth V. Aguilera is the Distinguished Darla and Frederick Brodsky Trustee Professor in Corporate Governance and Global Business at the D'Amore-McKim School of Business at Northeastern University and a visiting strategy professor at ESADE Business School.

Ryan Federo

Ryan Federo is an associate professor in the Department of Business Economics at Universitat de les Illes Balears-Palma de Mallorca, Spain.

Yuliya Ponomareva

Yuliya Ponomareva is a lecturer in the Department of Business at Universitat Autònoma de Barcelona.