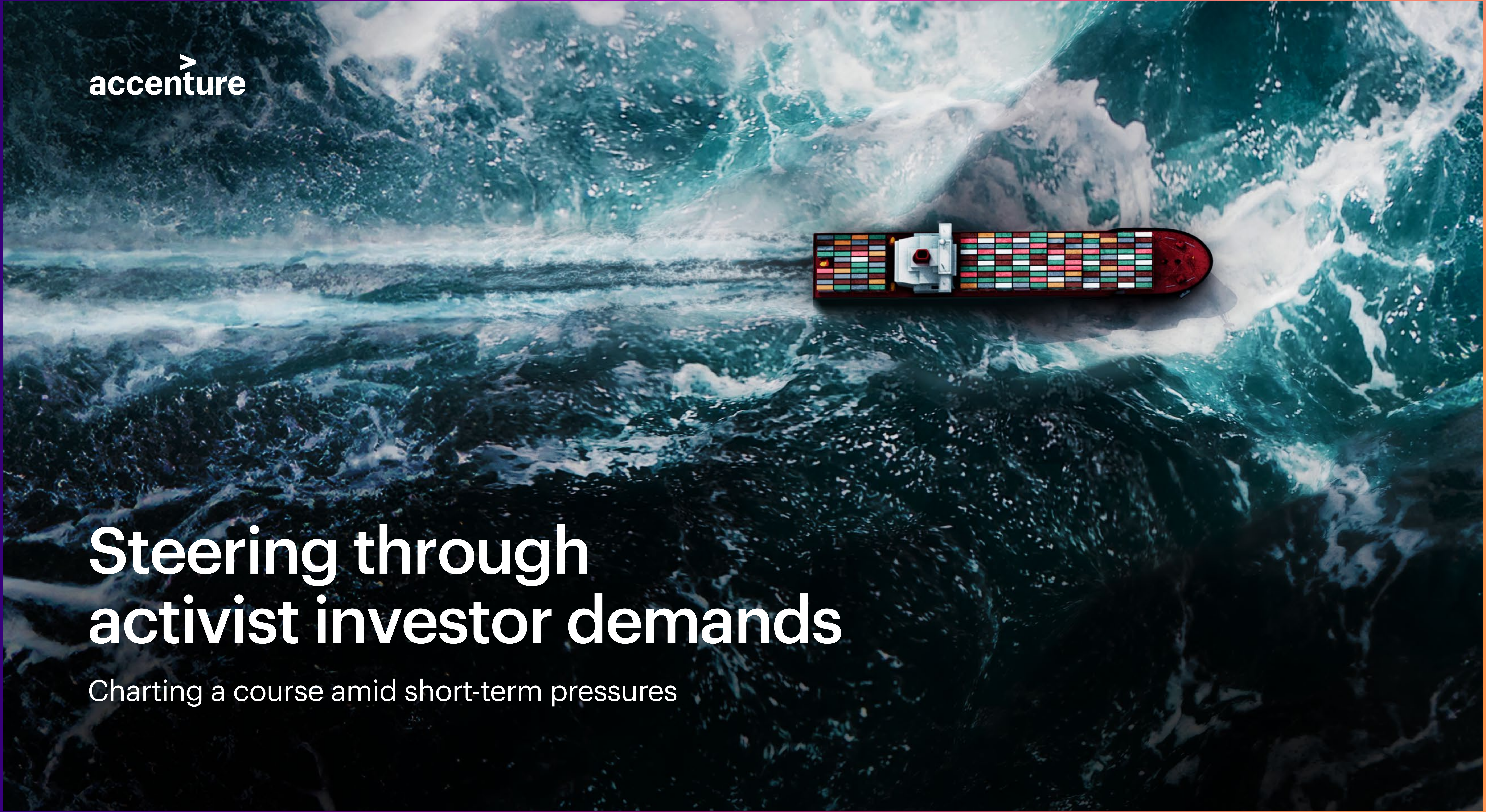


accenture

Steering through activist investor demands

Charting a course amid short-term pressures

Introduction

As the CEO pored over the letter from a well-known activist investor, she wondered, "How did it come to this?" Two years into her role, she had dutifully set a new strategy and launched key initiatives. While meaningful improvements had yet to materialize, green shoots were visible and the board was supportive.

Now, she suddenly faced a list of demands that seemed both aggressive and inconsistent with her vision for the business. She contemplated how to assess the demands, align with the board, negotiate with the activist and manage the fallout from the now very public discussion about her company's future.

While this story is fictional, it is all too common for corporate leaders and boards. Activism is surging and represents a material, ongoing concern for boards and CEOs alike.

Our latest research uses artificial intelligence (AI), a dataset of over 1,200 activist campaigns since 2010 and deep industry knowledge to both unpack activists' strategies and offer CEOs practical approaches to address activist challenges.

> "My strongest advice to people in dealing with activism is to be your own activist."
>
> **CEO who successfully navigated an activist campaign**

About the authors

Andrew Adams

Vice Chair, Reinvention Executive Advisory, Accenture Strategy

Kevin Callahan

Vice Chair, Reinvention Executive Advisory, Accenture Strategy

Michael Lyman

Vice Chair & Lead, Reinvention Executive Advisory, Accenture Strategy

Rachel Barton

Senior Managing Director, Accenture Strategy

Himanshu Patney

Principal Director, Accenture Research

What we see

Financially oriented activist investors are now a persistent concern for CEOs and boards. Their tactics are sharper, their tools more sophisticated[1] and their influence ever-growing. Executive teams targeted by activists are at risk of being dragged into an onerous, time-consuming process that can derail company strategy, upend the leadership team and compromise long-term shareholder value.

Our in-depth research on activist campaigns, synthesis of the latest trends and ongoing work with clients reveal the following about investor activism:

It is prevalent

Four out of 10 current S&P 500 companies have been targeted by financially oriented activist investors at least once since 2010, with the number of campaigns showing a 16% compound annual growth rate (CAGR) over 2010–2023. Over the last five years, there has been an average of 125 activist campaigns annually and even large, prominent companies are now targets.

It is consequential

Approximately 40% of activist demands call for board and/or executive changes to gain influence over the company's strategic direction. When activists call for CEO change, 51% of campaigns achieve that result within a year.

It is effective in driving change

At least one of the activist's demands is met 69% of the time. Settlement—a mutually agreeable outcome—is the most common result, seen in 47% of campaigns. Activists also gain approval for their demands 22% of the time via proxy fights (shareholder votes).

It produces results… in the near term

Activists drive an average 8.9% increase in total shareholder return (TSR) for targeted companies one year after the announcement—and often significantly more. However, returns decline each year thereafter, such that the target's TSR again trails S&P 500 returns by year four and trends toward pre-campaign levels by year five.

It is targeted

Activists are intentional about which companies they pursue. They target certain industries—such as Retail and Industrial—more than others. And certain characteristics, including less tenured CEOs, negative media mentions and readily accessible opportunities for value extraction, increase the risk of an activist campaign.

A significant portion of public companies is currently at risk

As of August 2024, nearly a third (31%) of a sample of 650 public companies has a 60% or higher probability of being targeted by an activist investor.[2] This is according to Accenture's AI-driven Activist Investor Risk Prediction Model, which is more than 70% accurate.

What we recommend

CEOs and boards can build a business more resistant to activists by developing a robust value creation strategy that drives reinvention and resilience. Doing so requires that they objectively assess company performance and proactively adjust course. At the same time, they can more completely understand their activist risk and fully prepare should they be targeted by an activist investor.

Here are specific actions boards, CEOs and their executive teams can take:

01

Assess your risk of investor activism and identify likely demands.

Closely monitor activist activity in your industry, develop a custom threshold-based risk scorecard and utilize “red teams” to diagnose critical vulnerabilities.

02

Adopt an activist mindset by breaking through long-held assumptions and organizational inertia.

Take proactive measures to reduce your risk, such as pursuing an ambitious, top-quartile performance strategy and communicating—with proof points—the shift in direction to investors.

03

Adequately prepare for an activist and embed robust management routines that sustain preparedness.

Use multi-source early warning systems, engage a broad set of advisors and execution partners and use AI-based simulations to ensure vigorous discussion and alignment among the board and management.

04

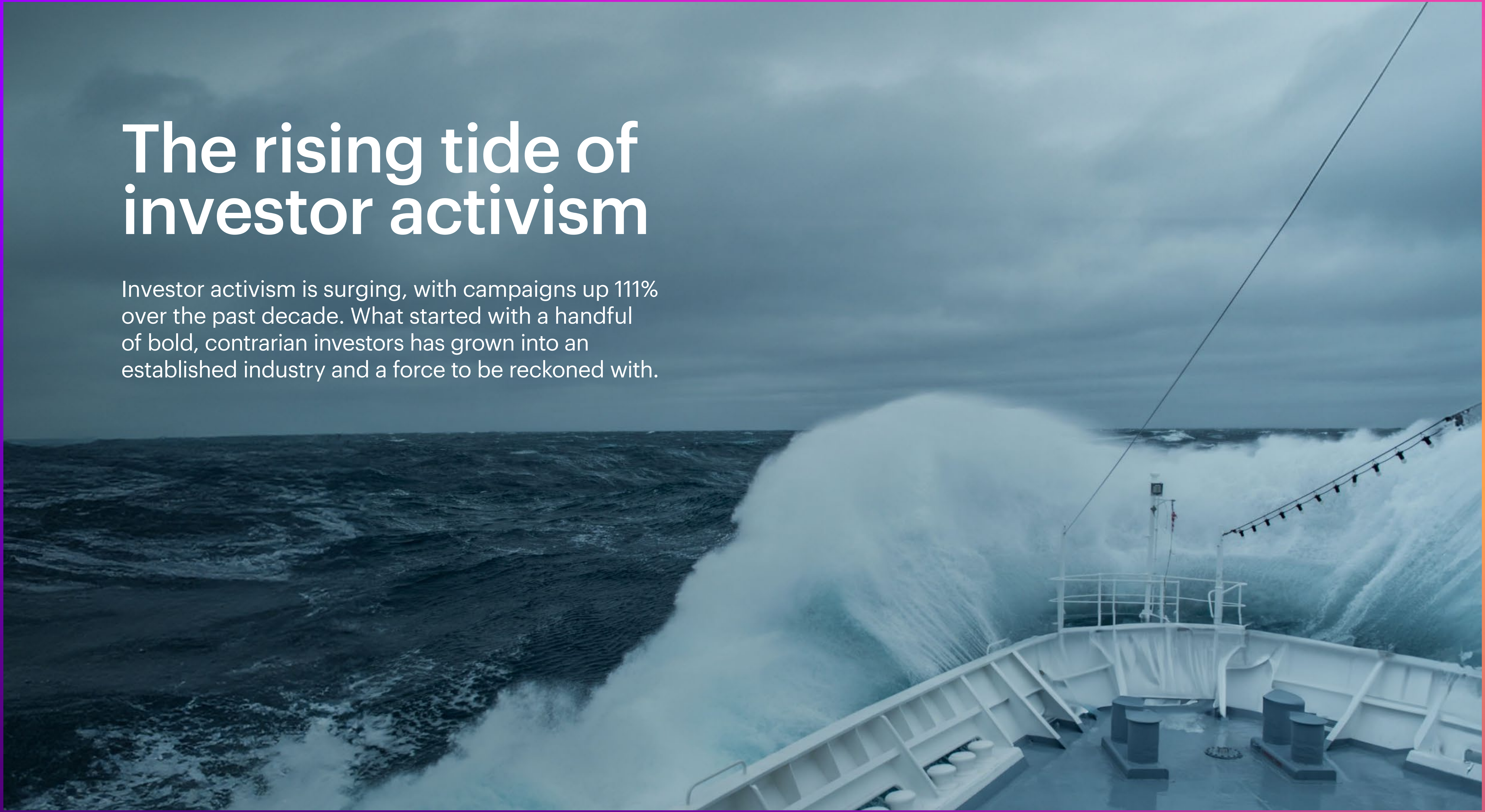
If targeted, confidently and swiftly respond to an activist campaign.

Focus the dialogue on a narrow set of changes that drive near-term value without compromising long-term shareholder returns. Respond using your superior understanding of the business and its value drivers and the support of aligned shareholders. Where possible, use the activist’s presence to accelerate in-flight plans.

Who are activist investors?

Activists come in many forms, from governance advocates and environmentally focused non-profits to sophisticated, well-capitalized financial activists. In this report, we focus exclusively on the latter—financially focused activists who acquire stakes in target companies and use that influence to drive near-term shareholder value.

This investment strategy is unlike private equity firms, which typically acquire majority stakes in companies, operate on longer time horizons—often between five and seven years—and drive significant improvements in top-line growth, EBITDA and more, before sale.



The rising tide of investor activism

Investor activism is surging, with campaigns up 111% over the past decade. What started with a handful of bold, contrarian investors has grown into an established industry and a force to be reckoned with.

Financially oriented activists launched 1,232 campaigns between 2010 and 2024. Our research shows that 40% of current S&P 500 companies have been targeted by activist investors at least once since 2010. Through 2023, the last full year of available data, this represents a CAGR of 16%. Over the last five years, there has been an average of 125 campaigns annually.

Certain regions are more at risk than others. The Americas face the highest level of activism, accounting for 67% of campaigns last year, followed by Asia Pacific (22%) and Europe, Middle East and Africa (11%).

Activists also show a clear preference for some industries. In our data, Retail, Industrial, Energy, Communications & Media and Life Sciences accounted for 51% of all campaigns from 2019 to 2023, with each of these industries witnessing an average of 10 campaigns or more per year during that period (see Figure 1).

> "Everybody thinks it's not going to happen to them until it does—and then it's too late."

Chief Strategy Officer, leading financial services firm

Activist demands can range from better corporate governance to dramatic improvements in operating margins and even divestiture of non-core, underperforming divisions. While these changes may seem beneficial, sudden and unexpected demands can disrupt the company's long-term strategy and divert leadership from its value creation priorities.

Identifying if your company is a likely target is the first step toward taking proactive action—and keeping activists at bay.

Why are activists feared?

When an activist investor announces it is "now one of the largest shareholders of the company and intends to work closely with the CEO and board," why do companies cringe at the news?

While activists indeed boost short-term TSR, it comes at a cost. Their demands can be challenging, often usurping well-laid plans and wresting control from the CEO and board.

Further, the implied or explicit threat of a proxy fight and public battles over key decisions can be highly disruptive. Perhaps most importantly, new members—often the activists themselves—are added to the board, and CEOs at times lose their jobs. No wonder leaders react with frustration—and even fear.

Figure 1. Certain industries face a higher risk of activist campaigns than others.

Industry (number of campaigns)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	5-year average (2019-2023)
Retail (n=148)	1	3	2	7	11	6	4	12	17	16	13	17	19	20	17
Industrial (n=141)	1	3	7	3	7	12	8	12	11	12	15	17	15	18	15
Energy (n=104)	1	0	7	9	5	2	6	6	10	8	9	15	17	9	12
Communications & Media (n=90)	2	2	8	4	3	4	3	4	10	10	16	7	5	12	10
Life Sciences (n=80)	4	0	2	1	4	3	5	3	8	14	8	9	9	10	10
High Tech (n=64)	0	0	1	9	4	4	7	6	8	6	3	1	10	5	5
Software & Platforms (n=63)	0	1	0	2	2	3	3	3	7	9	5	4	13	11	8
Utilities (n=63)	0	0	1	0	1	2	4	4	4	10	7	9	14	7	9
Natural Resources (n=59)	1	1	4	1	3	3	2	6	5	13	7	3	7	3	7
Consumer Goods & Services (n=54)	1	2	0	5	4	2	3	4	9	4	1	6	10	3	5
Banking (n=41)	2	0	1	2	0	2	1	4	4	4	7	5	5	4	5
Mobility (n=38)	0	1	0	1	2	4	3	4	7	5	4	2	3	2	3
Capital Markets (n=36)	0	2	1	1	3	2	4	5	1	4	2	2	6	3	3
Travel (n=36)	0	0	1	1	3	2	3	0	6	7	3	3	5	2	4
Insurance (n=30)	1	1	1	2	1	3	2	2	6	1	4	4	1	1	2
Chemicals (n=28)	1	0	0	2	2	1	1	2	3	4	6	4	2	0	3
Health (n=26)	1	0	1	2	0	1	2	2	4	3	1	4	4	1	3
Aerospace & Defense (n=20)	0	0	0	1	0	2	1	2	3	2	4	2	2	1	2
Total number of campaigns per year	**16**	**16**	**37**	**53**	**55**	**58**	**62**	**81**	**123**	**132**	**115**	**114**	**147**	**112**	**124**

Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on all campaigns initiated against publicly listed companies since 2010 with revenues above $2 billion in FY23. Total sample: 1,121 campaigns. Professional services (n=14) and other industries (n=7) and 2024 YTD (n=90) have been excluded in the table above. All other references in the paper to total campaigns include these excluded items and total 1,232.

What puts you on an activist's radar?

While lackluster financial performance is an obvious trigger, other, more subtle indicators can also signal that a company is a likely target.

Figure 2. Four key characteristics that put a company on an activist's radar.

Lagging financial performance

Key activist consideration: Is there a performance issue that, if corrected, would create substantial value?

This is the fundamental premise of activist investing and a base condition for an activist to consider a company: 79% of targeted companies since 2018 have underperformed on revenue, margin or both.

Accenture's AI-driven activist risk prediction model is more than 70% accurate when considering only financial metrics and performance.

Well understood industry and business

Key activist consideration: Is the industry and/or business well understood—and are there clear analogues for addressing the performance issues in question?

Activists prefer easily understood industries, as well as those characterized by rapid disruption or convergence. Complex, arcane and/or more regulated industries present barriers. Since 2010, the bottom 50% of industries experiencing activism were all regulated sectors, including Aerospace & Defense, Insurance, Health, Capital Markets and Banking, while the most targeted industries include Retail and Industrial—which are typically more straightforward.

Readily accessible value opportunities

Key activist consideration: Are the value opportunities both easy to access or action and likely to create value in the near term?

When activists find simple, readily accessible value opportunities—like excess cash on the balance sheet or diversified businesses that trade below the intrinsic value of their component parts—it can increase the attractiveness of launching a campaign.

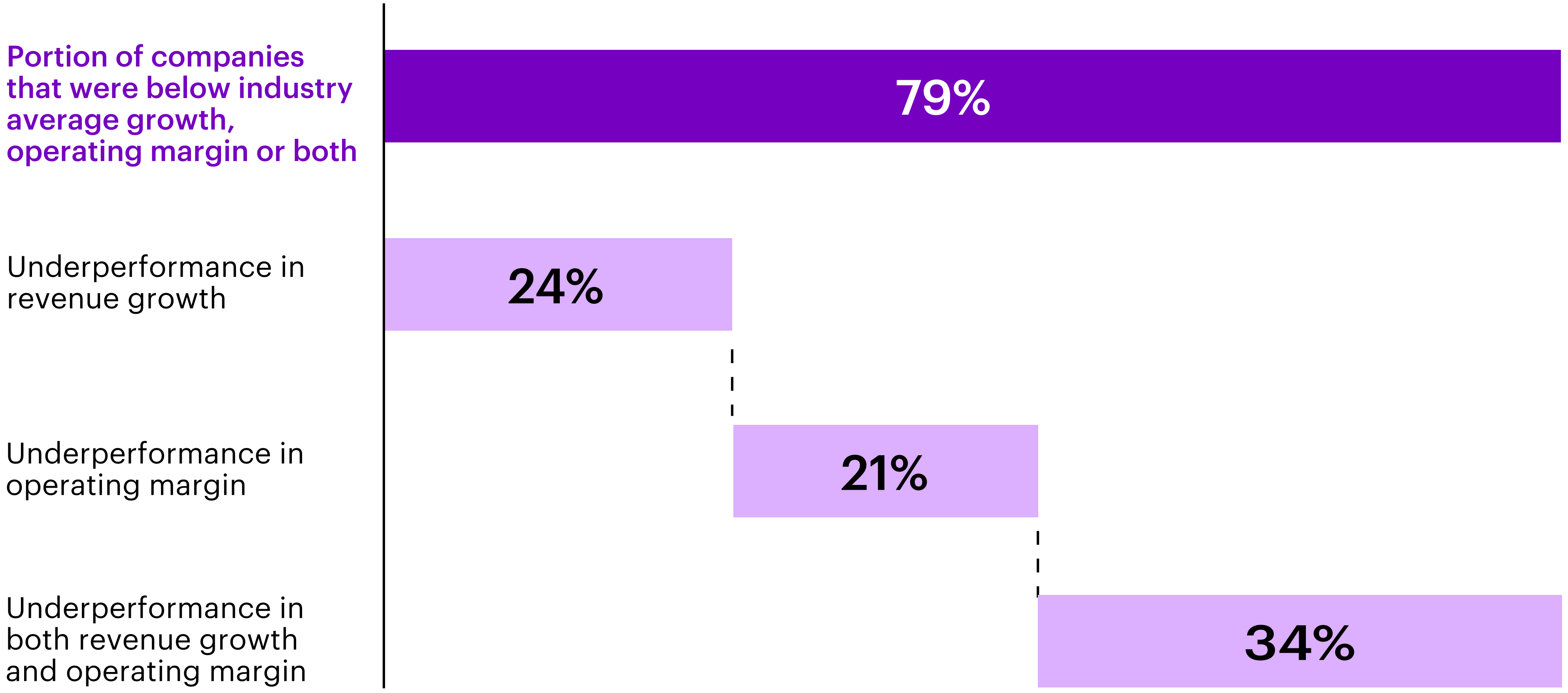
Ongoing governance or management challenges

Key activist consideration: Does the board and/or management seem stuck, challenged or misaligned?

When a firm looks "wobbly"—unable to get CEO succession right, lacking a compelling strategy to fix the business, tainted by scandals or involved in regulatory missteps, for example—activists may see both evidence of weak management and an opportunity to accelerate change amid the uncertainty.

Poor financial results signal to an activist investor that a company may be undervalued, mismanaged or facing deeper issues, making it an attractive investment opportunity. More than three out of four target companies turn in subpar numbers in the two years leading up to an activist campaign (see Figure 3).

Figure 3. Red ink means green light for activists. More than three out of four targeted companies underperform relative to their industry benchmarks.



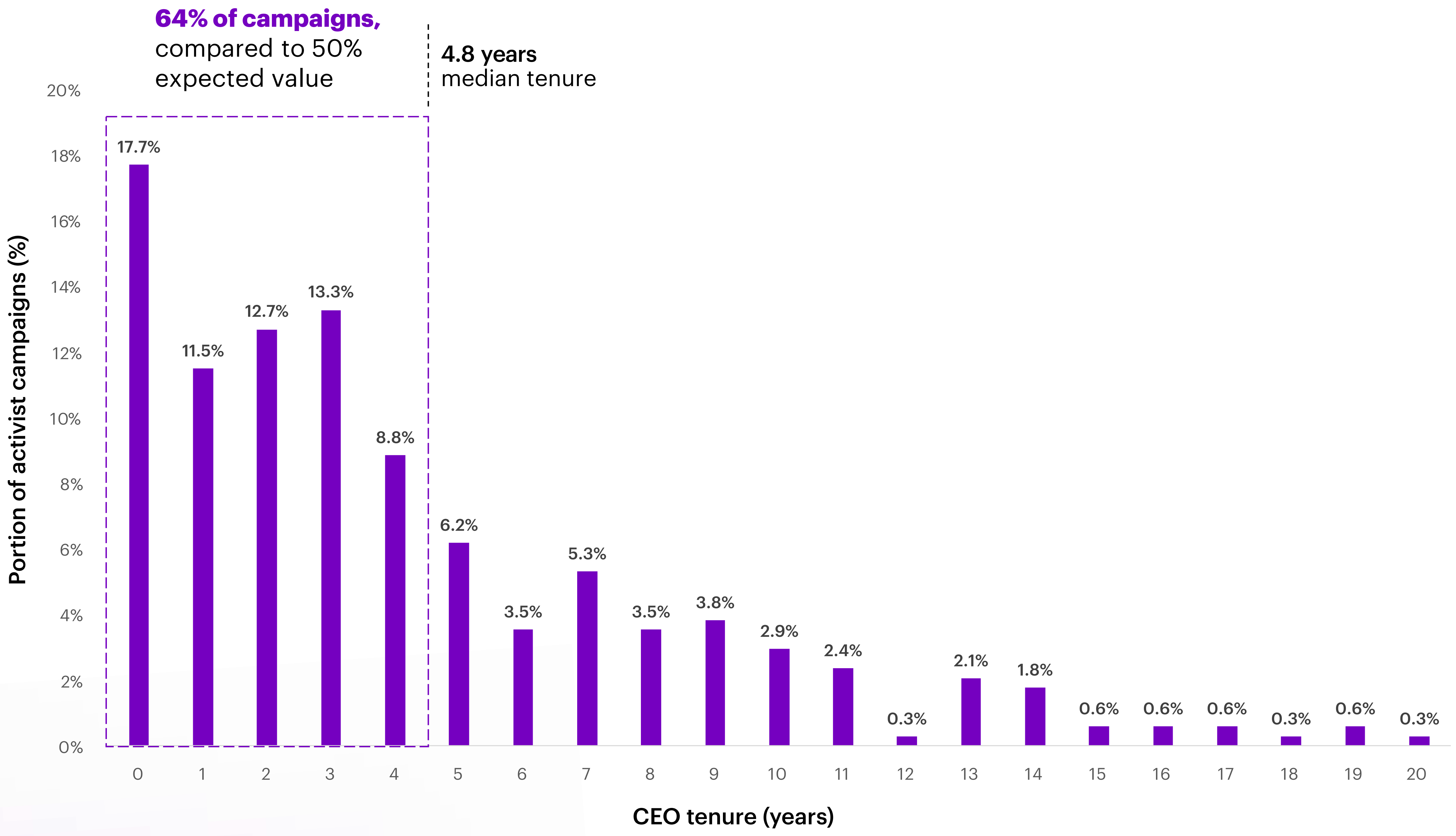
Note: Analysis based on campaigns since 2018, company performance against industry benchmark based on two-year performance from the year of the campaign. Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on a sample of 424 non-Financial Services companies against which a campaign has been launched since 2018. Industry benchmarks sourced from Accenture Research Corporate Finance database of over 2,000 global companies.

Beyond financial performance, other factors are at play in determining a company's risk of activist investors.

First, research highlights a compelling trend regarding CEO tenure. Harvard Law School reports, citing Equilar data, that the median tenure of S&P 500 CEOs was 4.8 years in 2022.[3] Yet, 64% of campaigns target CEOs with tenures below this median, much higher than the expected 50% (see Figure 4).

Further, nearly 18% of the campaigns in our dataset focused on CEOs with less than one year of tenure, even thought they make up just 13% of the CEO pool. This heightened attention on newer CEOs suggests that activists may view them or the companies they helm as more vulnerable.

Figure 4. Nearly two-thirds of CEOs targeted by activists have tenures under five years.



Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. We looked at all activist campaigns since 2018. We then profiled the current CEOs of the companies targeted by activists. The sample was 527 unique companies. Among these companies, current CEO profiles were available for 349 companies. Percentages might not add up to 100% due to rounding.

Second, companies with an excessive, unflattering media presence are 4.7x more likely to have an activist investor.[4] Poorly managed CEO successions, regulatory issues, scandals and other negative coverage not only attract activists but also serve as key talking points in their campaigns.

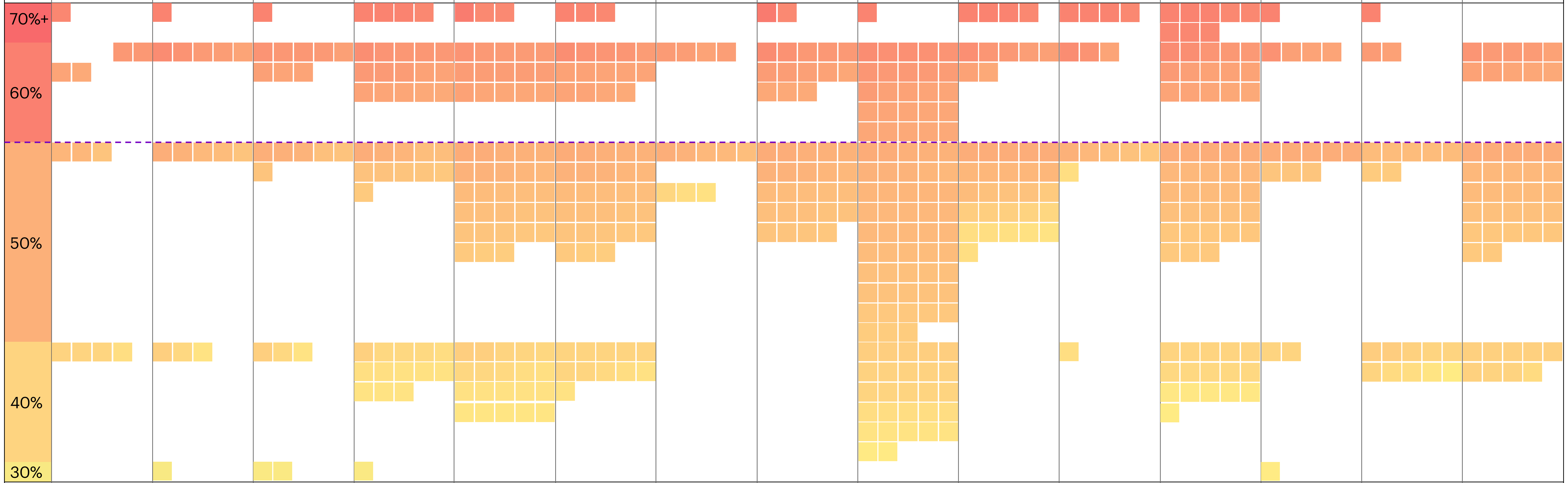
Finally, a factor that puts companies on an activist's radar is the ease of unlocking value opportunities that can generate near-term gains. The presence of excess cash on the balance sheet, diversified businesses trading below the intrinsic value of their units and more easily understood industries—such as Retail and Industrial—all increase a campaign's attractiveness (see Figure 5). The heatmap presented is an excerpt from our Activist Risk Prediction Model, which has a back-tested accuracy of more than 70% and includes over 650 companies. Each square on the map represents a publicly traded company, primarily from the S&P 500.[5]

Of these companies, 31% are classified as high risk (>60% probability) of being the target of an activist campaign. Consistent with the historical activist campaigns from Figure 1, Industrial, Retail and Communications & Media have the highest overall number of companies with risk scores exceeding 60%. Aerospace & Defense, Natural Resources and Chemicals have the highest concentration of companies at risk levels above 60%.

Figure 5. Activism risk for the S&P 500 and top global companies by industry.

Probability that a company will be targeted by an activist 70%+ 60% 50% 40% 30%

Each square represents a publicly traded company



Risk	Aerospace & Defense	Automotive	Chemicals	Communications & Media	Consumer Goods & Services	Energy	Health	High Tech	Industrial	Life Sciences	Natural Resources	Retail	Software & Platforms	Travel	Utilities
60%+	8	6	9	19	18	17	4	15	26	11	7	23	5	3	10
Total	15	15	20	44	66	57	17	46	101	37	14	67	16	20	46

Nearly a third of companies
are categorized as high risk (>60% probability), indicating significant exposure to targeting by activist investors.

Industrial, Retail and Communications & Media
have the highest absolute number of companies with risk levels exceeding 60%.

Aerospace & Defense, Natural Resources and Chemicals
show the highest concentration of companies with risk levels above 60%, highlighting significant vulnerability across these industries.

Source: Probability is based on Accenture's AI-driven risk prediction model, which has over 70% accuracy. Data includes companies from the S&P 500 and other top global companies. Risk assessed on business strategy, performance, capital management and/or portfolio (M&A).

What activists demand and what they achieve

The objective of activist investors is to increase the target company's shareholder return through an array of recommendations and actions.

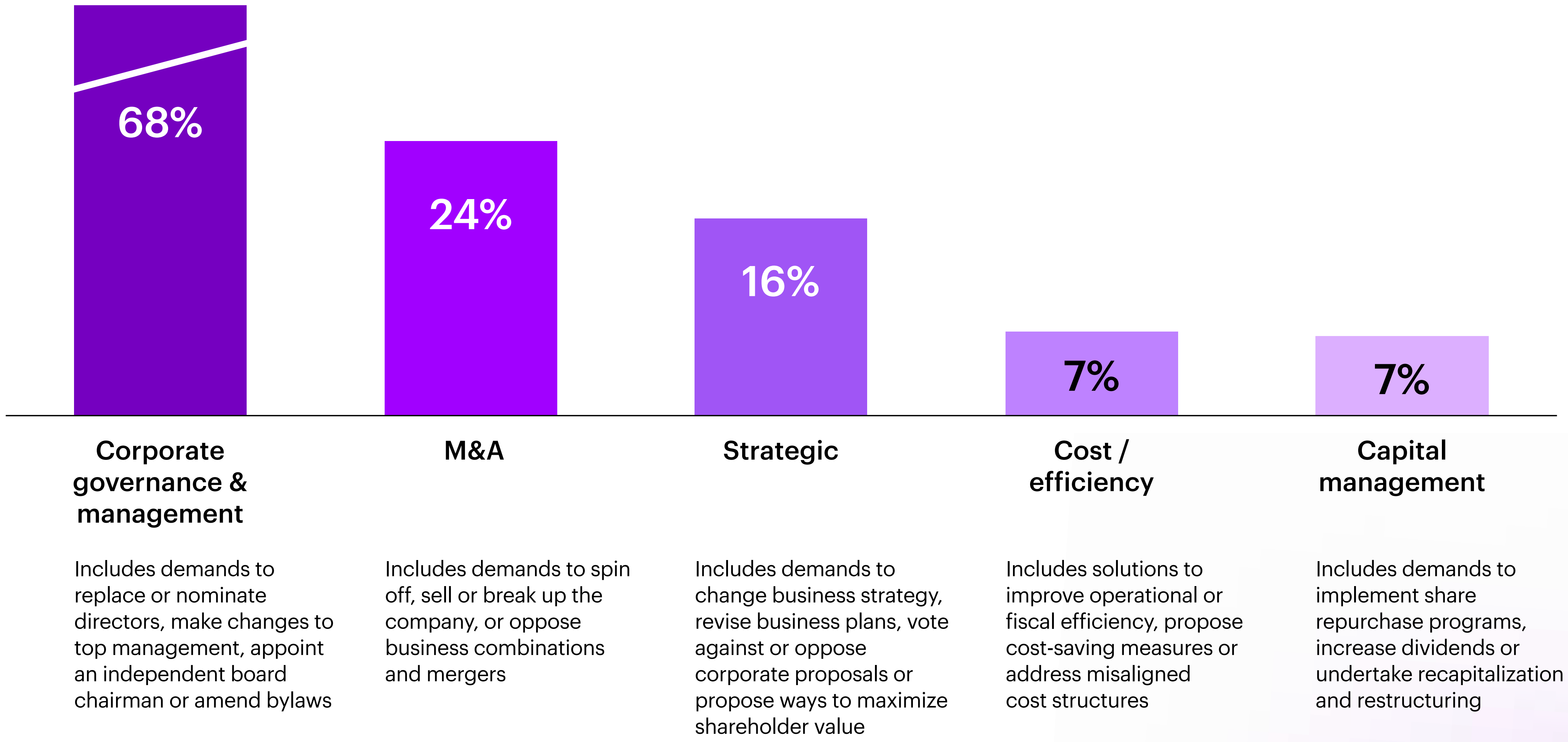
Activists' actions range from advising company executives to making more ambitious and disruptive demands, such as replacing the board of directors, undertaking significant restructuring or even forcing a sale of the company.

Our analysis of 1,232 financially oriented activist campaigns since 2010 shows that 68% focused on changes to corporate governance and top management, with activists primarily pushing for boardroom shake-ups. We view these as a means to an end, a way for activists to influence the target company's strategic and operational decisions.

After governance changes, M&A moves—such as demanding a spin-off or pressuring for a sale—are the next most common, accounting for 24% of campaigns. Strategic changes like advocating for shifts in business strategy or blocking key proposals make up 16%. Finally, 7% of campaigns focus on operational efficiencies, such as cost-cutting measures, and another 7% focus on capital management, such as an increase in share repurchases (see Figures 6a and 6b).

Figure 6a. Corporate governance, M&A and strategic changes are activists' primary focus areas.

Proportion of campaigns by demand category (2010–2024)

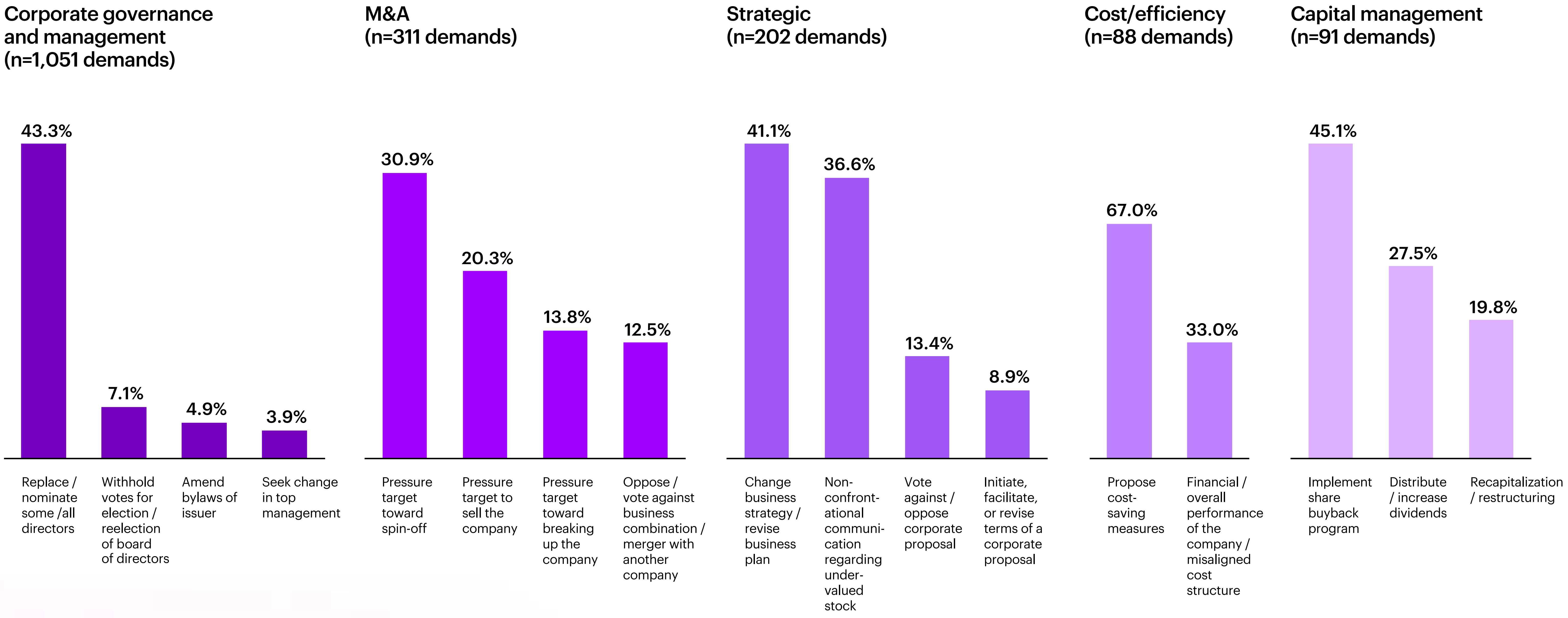


Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Number of demands based on all campaigns since 2010 initiated against publicly listed companies with revenue above $2 billion in fiscal 2023. Total sample: 1,232 campaigns with 1,743 demands since January 2010.

Note: The percentages add to more than 100% as campaigns often feature more than one demand category (e.g., an activist investor that demands both board seats and the divestiture/spin-off of a business unit).

Figure 6b. Within each primary category, activists use a range of demands to drive change and value creation.

Top demands within each category (2010–2024)

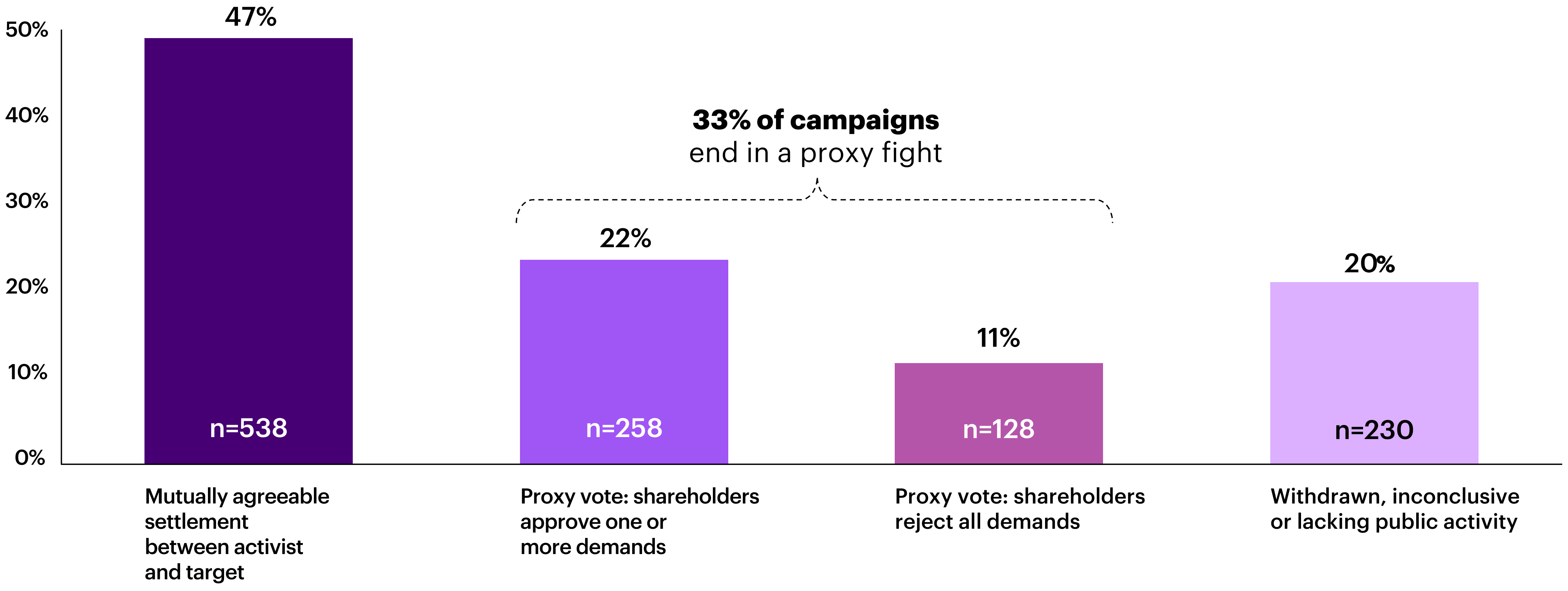


Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on all campaigns initiated against publicly listed companies since 2010 with revenues above $2 billion in FY23. Total sample: 1,232 campaigns with 1,743 demands. For 2024, the data is till June 2024.

Campaign outcomes

Not all activist campaigns result in an outright win for activists, though. Our research shows that just under half of campaigns (47%) end in a mutually agreeable settlement, with the activist and the target company finding common ground. Another 33% of campaigns culminate in a proxy fight (formal shareholder vote), with the activist twice as likely to win at least one key demand. The remaining 20% of campaigns are unresolved, withdrawn or otherwise inconclusive (see Figure 7).

Figure 7. Nearly half of campaigns end in a mutually agreeable settlement, while a third escalate to a proxy fight.

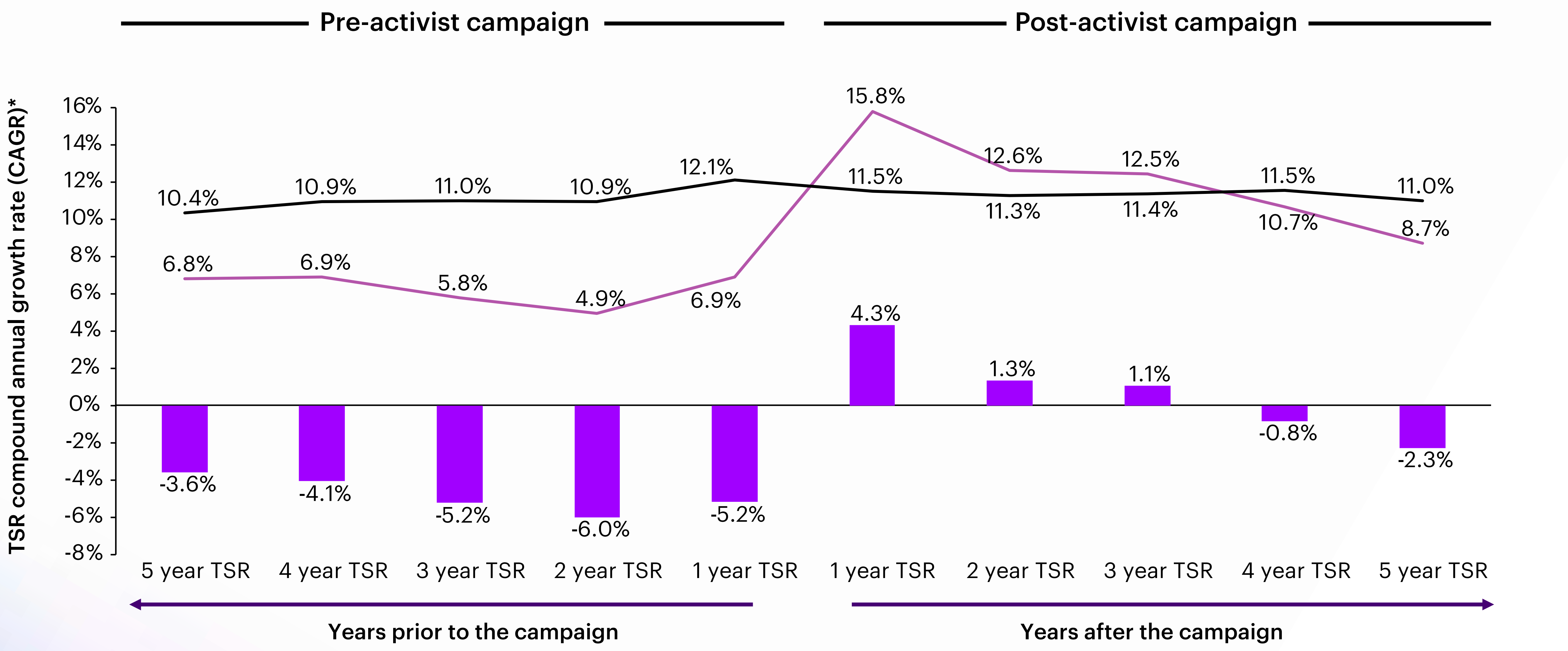


Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on all campaigns initiated against publicly listed companies since 2010 with revenues above $2 billion in FY23. Total sample: 1,154 campaigns (excluding announced).

Impact on shareholder returns

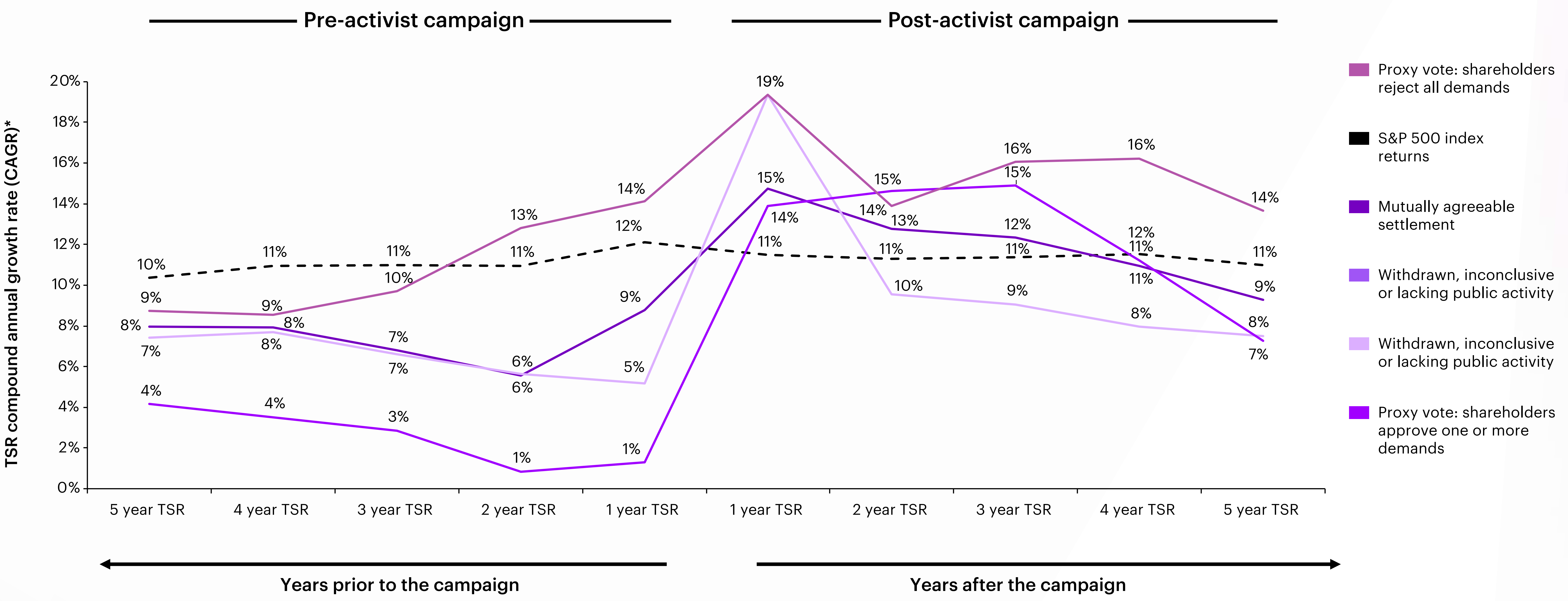
Our research shows that activist campaigns initially boost short-term shareholder returns—8.9% on average after one year. However, these outsized gains are short-lived, with TSR falling off in the next two years and declining below S&P 500 returns by year four (see Figure 8a). Targeted companies have a net gain in TSR of only 1.8% by year five.

Figure 8a. Following an activist campaign, the average TSR shoots up in the short term but underperforms the S&P 500 in the long run.



Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on all campaigns since 2010 initiated against publicly listed companies with revenues above $2 billion in fiscal year 2023. Total sample: 1,232 campaigns with 1,743 demands since 2010. * TSR CAGR is calculated based on campaign start date e.g., 5-year TSR is CAGR between campaign start date and 5 years before and after the start date.

Figure 8b. Campaigns where shareholders reject activist proposals deliver the most sustainable long-term TSR.



Source: Accenture Research analysis leveraging S&P Capital IQ data, 2024. Based on all campaigns initiated against publicly listed companies with revenues above $2 billion in FY23. Total sample: 1,154 campaigns (excluding announced) since 2010. Campaigns that ended in a mutually agreeable settlement: n=538; Proxy vote: shareholders approved one or more demands: n=258; Campaigns that were withdrawn, inconclusive or lacked public activity: n=230; Proxy vote: shareholders rejected all demands: n=128. * TSR CAGR is calculated based on campaign start date e.g., 5-year TSR is CAGR between campaign start date and 5 years before and after the start date.

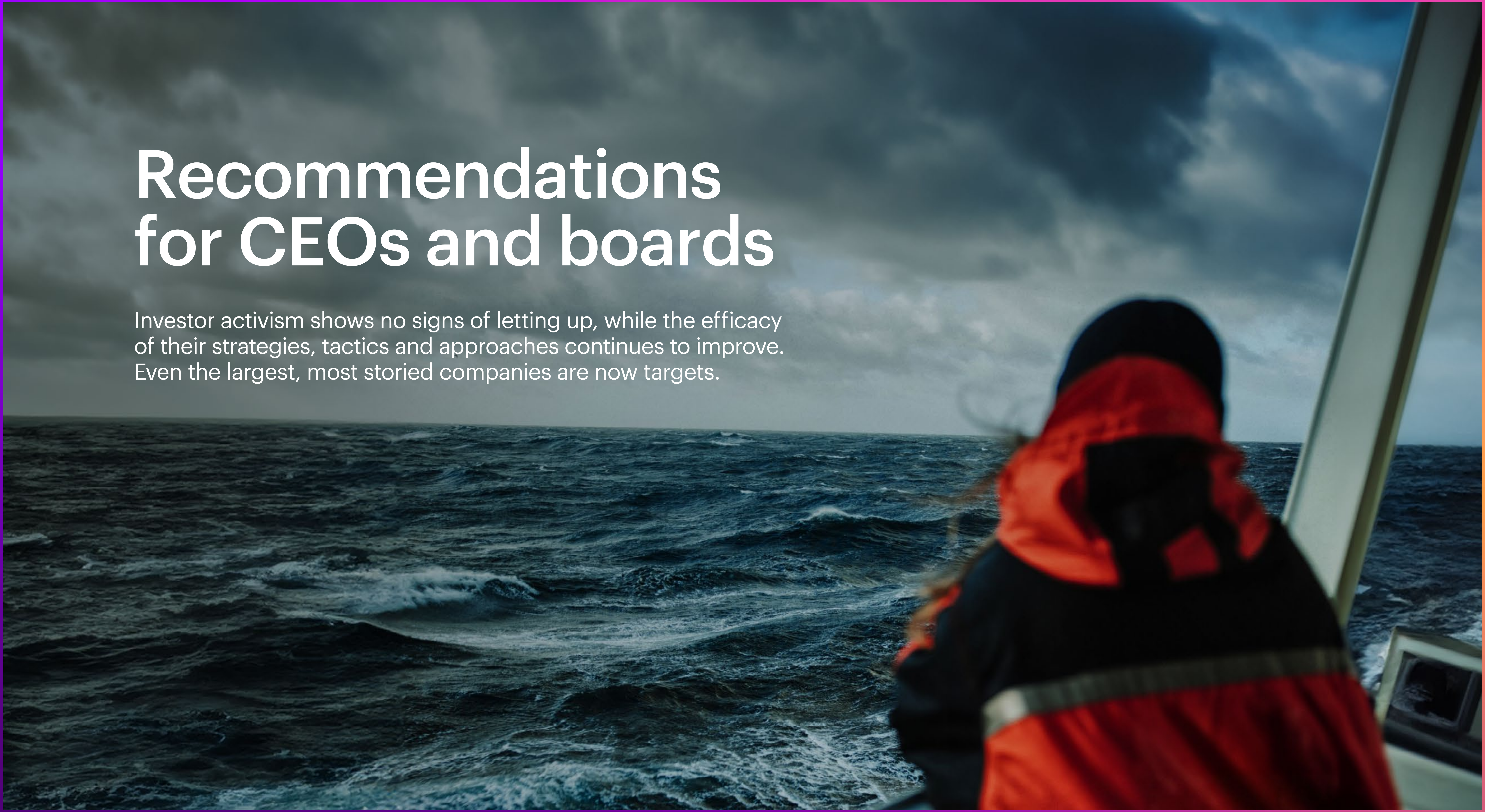
When we examine the link between campaign outcomes and TSR, some interesting patterns emerge (see Figure 8b):

- Regardless of the starting point or outcome, TSR spikes initially, surpassing S&P 500 returns in year one (T+1).
- The greatest gain from T-1 to T+1 is +14%, observed in campaigns that were ultimately withdrawn or inconclusive, possibly suggesting that the activists pursued no follow-up actions given their strong early gains.
- However, by T+5, returns decline in all cases. Further, TSR reverts to pre-campaign levels for those companies that settled (47% of campaigns) or beat back an activist in a proxy vote (11% of campaigns).
- The campaigns where the activist won a proxy vote see the largest net gain of +6% from T-1 to T+5.
- The highest sustained results come from campaigns where shareholders rejected the activist's proposals, with TSR outperforming all other outcomes and the S&P 500 across the full period.

This underscores how crucial it is for CEOs and leadership teams to understand activist approaches and likely demands, and proactively chart bold value creation strategies. At the same time, they must still ready themselves for potential activist campaigns.

Recommendations for CEOs and boards

Investor activism shows no signs of letting up, while the efficacy of their strategies, tactics and approaches continues to improve. Even the largest, most storied companies are now targets.



What should CEOs and boards of directors do, given the current environment? A balanced approach will contain both proactive strategies and robust preparation. We outline four steps for leaders to consider—along with key questions and critical best practices.

Step 1
Assess your risk and identify likely activist demands

Multiple factors influence which companies activists target and what they demand. Key considerations include current company performance and the perceived ability to generate value quickly.

It is imperative for executive teams to develop a clear-eyed view of the company's relative performance, vulnerabilities, risk of potential activism and likely activist demands.

Key questions to consider:

01

If we are underperforming relative to our industry, what are the underlying reasons—is it an insufficiently ambitious strategy, market disruption, poor execution, lack of capabilities or are there other drivers?

02

What vulnerabilities do we have, and how appealing might they be to an activist? For example, could value readily be unlocked by reducing costs (for example, selling, general and administrative expenses), returning excess cash on the balance sheet to shareholders or divesting a non-core business?

03

Based on previous activist investor activity in our industry and our current course and speed, what are the likely "lines of attack"—or even the specific demands an activist might make?

Best practices spotlight:

Develop a **custom activist risk scorecard**[6] that assesses your relative performance against performance thresholds in four critical areas—governance and leadership, strategy and portfolio, cost management and capital management. Then continuously monitor and discuss the implications within the management team and with the board.

Similar to a "**penetration test**" to assess a company's cyber risk, set up a "red team" (or engage external advisors) to identify vulnerabilities and simulate activist demands. Generative AI can be useful in this regard, both in developing plausible demands and new scenarios but also in role-playing as the activist. This approach can form the basis for robust executive discussions and exercises like scenario planning or evaluation of alternative strategies. It should ultimately be shared and discussed with the board.

Step 2

Take proactive measures to improve performance and reduce risk

"The ideas you have for short-term value creation need to be consistent with your strategies."

S&P 500 C-suite executive who successfully navigated an activist campaign

Crafting a bold value creation strategy requires a willingness to see things as they are. In this stage, it is critical to think like an activist, leave behind organizational constraints and focus on near-term value without losing sight of the long term. As you shift strategies and act, ensure your investors understand both your sense of urgency and the change in direction.

Key questions to consider:

01

What actions—including leveraging technology, data and AI—would drive the business to top-quartile performance (TSR) in our industry?

02

Have all available value levers been considered—for example, sharpening the portfolio, shifting business strategy, accelerating revenue growth, reducing costs or returning capital to shareholders?

03

Can we address gaps in strategy, execution or capabilities by revisiting our assumptions about what is or is not feasible?

Best practices spotlight:

Be your own activist; adopt an activist mindset by using "**outside-in thinking**" and challenging existing orthodoxies. For example, use AI-driven scenarios to introduce fresh thinking and question key assumptions. As outsiders, activists are unburdened by long-held assumptions, organizational inertia or internal dynamics. Embrace this mindset and then identify—and, as appropriate, adopt—their potential demands.

Once the strategy is set, **clearly articulate and relentlessly reinforce the new direction**. Build in "proof points" each quarter that demonstrate concrete progress. These proof points will be critical in securing shareholder buy-in should a proxy battle arise.

Staying safe despite activists circling your industry

A leading Industrial company stands out from its peers as having avoided activist investors, despite at least four companies in their industry being targeted in the last six years. The factors that likely kept them off activists' radars include driving a highly successful acquisition strategy, clearly communicating their strategic priorities, consistently returning cash to shareholders through share repurchases and—most critically—driving strong TSR performance.

Step 3

Adequately prepare and embed new ways of working

Activist campaigns can be highly disruptive. They demand significant time from the board, CEO and management team—and often bring forced decision-making, intensive public scrutiny and high-stakes trade-offs that can lead to internal rifts.

Fortunately, there are several proactive steps executive teams and boards can take to prepare for an activist campaign. These preparatory measures include activist response playbooks with clear roles and responsibilities; scenario planning and rehearsals to align the board and management; in-depth strategic, financial and operational reviews of potential choices; a broad but engaged roster of advisors; and the use of sophisticated early-warning systems, among others.

These activities should be ongoing, and their insights and implications discussed regularly as part of the annual corporate calendar.

Key questions to consider:

01

Do we have an in-depth and near real-time view of activist activity within our industry and as it relates to our company?

02

Are we clear on how we would respond to an activist, including how we would define roles and responsibilities, involve external advisors and manage and approve key decisions?

03

Do we have a clear understanding of the possible value levers we could pull and which ones we would prefer versus strongly oppose?

Best practices spotlight:

Leveraging integrated technologies, create a multi-part **"early warning system"** that can flag potential activist activity. This could include online data such as website hits, conference attendance, activity tracking of investment banks and law firms associated with activists, monitoring of SEC filings and other industry activities.

Create, keep up to date, and discuss with the board, **response playbooks**. These should explore alternate value creation strategies as well as help clarify roles and preferred approaches.

Regularly engage with a broad set of advisors—bankers, attorneys, communication firms, as well as strategy and execution partners. When possible, hold joint sessions that bring together your advisors to discuss vulnerabilities, strategies, countermeasures and more.

Conduct **desktop simulations**, supported by AI, that use live data about the company's current performance and activist risk. Run the full activist response playbook to build confidence in your plan and identify opportunities to improve the organization's response.

Effective early warning systems and preparation

A large, global services company uses a sophisticated, multi-pronged approach to understand, track and prepare for potential investor activism.

The company deploys an early warning system that integrates both digital and real-world activity to give its investor relations team a data-rich view of potential risk. It also regularly consults with multiple outside advisors, including banks. Lastly, it has developed response playbooks—covering communications strategy, valuation scenarios, response tactics and more—and it refreshes those playbooks with the board at planned intervals.

Step 4

Confidently respond to an activist campaign

> "There was nothing the activist brought in we weren't already working on—we just weren't aggressive enough. You must figure out the pace of things, to get results at the speed required."

C-suite executive, S&P 500 company

If an activist does launch a campaign targeting your company, engagement is the preferred approach and swift resolution the preferred outcome.

Often, a single, meaningful concession to an activist that drives up share prices but limits long-term risk—such as a commitment to repurchase shares—is enough to end the standoff and allow company leadership to refocus on running the business.

However, there are exceptions to this, such as when the demands are unreasonable or when the company is rapidly implementing a strong, well-understood value creation strategy.

Key questions to consider:

01

Who will make key decisions, and how will those decisions be made? Are we clear on the process we want to run versus the one the activist wants to follow?

02

What is our confidence level in the existing plan versus the options the activist has put forward? Leveraging AI, have we thoroughly studied the first-, second- and third-order effects for major choices (for example, investor reactions as well as long-term shareholder impact)?

03

How quickly do we want to resolve the issue, and in what scenarios are we willing to entertain a potential proxy fight over our convictions?

Best practices spotlight:

Lean in, engage with the activist and understand their demands. But do so from a **position of strength**, with a superior understanding of key business drivers and a forward-looking plan.

If possible, use the activist's campaign to **accelerate the ideas and plans that are already under consideration** but delayed, perceived as costly or otherwise stuck.

Marshal the **support of aligned shareholders** who can back your strategy and help counterbalance the activist.

Standing firm in face of activist pressure

A leading global media company faced an activist campaign after underperformance of a critical new business, market disruption, leadership instability and trailing share price returns.

The activist’s demands for a board seat and other significant changes were quickly countered by management, who put forth a range of robust value creation strategies. These changes addressed critical shortcomings in multiple businesses and were expected to deliver billions of dollars in earnings.

On the strength of these planned changes—and an intense shareholder engagement effort by management—shareholders rejected the activist’s demands in a proxy vote, largely viewing them as unnecessary.

From vulnerability to value

A potential activist campaign can serve as a catalyst, pushing CEOs and boards to build a stronger, more resilient business.

The power to keep activists at bay often lies with leadership—and calls for a shift from reactive defense to proactive value creation. The goal is to turn challenges into opportunities, transforming scrutiny into a driving force for value and treating activist pressures as a springboard for enduring success.

About the research

The findings in this report are based on the following research streams: Accenture analysis based on the following data sources: S&P Capital IQ, Moody's Analytics NewsEdge.

Unless otherwise mentioned, all statistics mentioned in the report related to campaigns, demands, outcomes and financials are based on Accenture analysis leveraging S&P Capital IQ data, 2024.

Analysis of activist campaigns and demands: We leveraged S&P Capital IQ data and analyzed the number of campaigns and demands since 2010 initiated against publicly listed companies with revenue above $2 billion in fiscal 2023. Total sample: 1,232 campaigns with 1,743 demands since January 2010 until 13th June 2024.

Analysis of CEO tenure: We looked at all activist campaigns since 2018. We then profiled the current CEO of those companies targeted by activists.

Analysis of media articles: 13,800 media articles were analyzed using Moody's Analytics NewsEdge. Accenture leveraged proprietary data science tools and generative AI (Gemini 1.5 Large Language Model). We also conducted in-depth interviews with various Accenture luminaries and our own leaders and advisors.

Acknowledgments

The authors would like to thank and acknowledge the following people for their significant contributions to research, writing, insights and content development: Joey Cofsky, Dominic Paolino, Abhigyan Chand, Lauren Berger, Ranjan Ramdas and Shannon Casey.

References

1. The activist toolkit has evolved to include more sophisticated use of data, AI and advanced modeling, more complex financial instruments, enhanced shareholder engagement, sophisticated public relations campaign and a growing ecosystem of professional service providers with operational and industry expertise.
2. As of August 5, 2024, and according to Accenture's AI-driven Activist Risk Prediction Model, which is more than 70% accurate. The model contains the S&P 500 and over 150 other prominent, global, public companies and has accurately flagged many of the companies targeted in 2024.
3. Joyce Chen, CEO Tenure Rates, Harvard Law School Forum on Corporate Governance, August 4, 2023.
4. Accenture analysis leveraging S&P Capital IQ data, 2024 and Moody's-News Edge data, 2024. Analysis includes 307 companies from the current S&P 500 for which the data was available. Count of companies with an activist investor = 133; count of companies where no activist investor is involved = 174. Analyzed for the period Q1 2019 to Q2 2024, using data science. Results for activist investor activity based on "Article Headline" data from Moody's-News Edge. Sample: 13,800 articles. Negative mentions include issues related to human resources, financial matters, strategic, operational, governance, legal and compliance, ethical, environmental and customer concerns.
5. As of August 5, 2024, and according to Accenture's AI-driven Activist Risk Prediction Model.
6. Sample performance measures for a custom scorecard could include: Governance and Leadership: board composition and independence, executive compensation, succession planning; Strategy and Portfolio: strategic clarity, portfolio coherence, innovation capabilities; Cost Management: operational efficiency, fixed cost leverage; Capital Management: capital allocation, balance sheet health and flexibility, shareholder returns and dividend policy.

About Accenture

Accenture is a leading global professional services company that helps the world's leading businesses, governments and other organizations build their digital core, optimize their operations, accelerate revenue growth and enhance citizen services—creating tangible value at speed and scale. We are a talent and innovation led company with 750,000 people serving clients in more than 120 countries. Technology is at the core of change today, and we are one of the world's leaders in helping drive that change, with strong ecosystem relationships. We combine our strength in technology with unmatched industry experience, functional expertise and global delivery capability. We are uniquely able to deliver tangible outcomes because of our broad range of services, solutions and assets across Strategy & Consulting, Technology, Operations, Industry X and Accenture Song. These capabilities, together with our culture of shared success and commitment to creating 360° Value, enable us to help our clients succeed and build trusted, lasting relationships. We measure our success by the 360° value we create for our clients, each other, our shareholders, partners and communities.

Visit us at **accenture.com**

About Accenture Strategy

Accenture Strategy works with boards, CEOs and C-suite executives to create 360° value for all stakeholders by defining and answering their most strategic business questions—including growth, profitability, technology-driven transformation, mergers and acquisitions (M&A), operating models and sustainability—with insights from AI and data science, combined with deep industry and function expertise.

For more information, visit: **accenture.com/strategy**

About Accenture Research

Accenture Research creates thought leadership about the most pressing business issues organizations face. Combining innovative research techniques, such as data science led analysis, with a deep understanding of industry and technology, our team of 300 researchers in 20 countries publish hundreds of reports, articles, and points of view every year. Our thought-provoking research developed with world leading organizations helps our clients embrace change, create value, and deliver on the power of technology and human ingenuity.

For more information, visit **accenture.com/research**