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# SHAREHOLDER ACTIVISM AND ENGAGEMENT

Shareholder activism remained high throughout the first half of 2025, as market volatility and uncertainty created a challenging environment for companies during the proxy season. Both prominent and smaller investment funds were highly active, with targeted companies entering into settlement agreements more swiftly than ever before. Looking ahead to 2026, boards must remain especially vigilant, recognising that even well-intentioned decisions may come under activist scrutiny. ■



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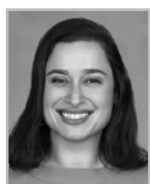
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**FW: Looking back over the past year, what key trends have shaped shareholder activism?**

**Riches:** Market volatility and uncertainty has created a challenging environment for companies in the 2025 proxy season. Settlements with activists have been on the rise over the past few years since the introduction of the universal proxy card but the current market dynamics have created an extra incentive for boards to find an agreement with dissidents rather than face even more uncertainty by engaging in a proxy contest. There has also been a significant reduction in the number of shareholder proposals companies have faced, in part due to the changes to the Securities and Exchange Commission's (SEC's) 'no-action' rules which rescinded previous guidance, increasing the burden on companies which were looking to deny proposals. Environmental, social and governance (ESG)-focused proposals have faced greater scrutiny, a trend which was also reflected in voting results as shareholder support for environment and social proposals in 2025 have declined.

**Tucker:** Shareholder activism does not exist outside of the broader market, so the element having the biggest impact was volatility. Market disruption across the first half of 2025 had a significant impact on many activist

engagements, often benefitting corporates. The changes afoot in global capital markets were seen as creating real uncertainty, and this put a near complete pause on activist attacks calling for significant corporate change – very similar to what we saw in the first half of 2020. As we look ahead to 2026, we will see activists and investors recalibrate and re-engage in our new reality quickly. Boards should not expect a free pass next year.

**Tetelbaum:** Q1 2025 was the busiest first quarter for shareholder activism since 2022, with activists continuing to target many of the largest companies across a range of sectors. Although there were a few high-profile activism battles that resulted in full proxy contests, the vast majority of activism matters in Q1 were resolved through settlement, including settlements mere weeks from when the activist surfaced at the company. One notable trend from the prior year is that activists privately submitted nomination notices at companies, often naming individuals from the activist's fund as director nominees – raising questions about whether a full campaign was truly intended or if the move was primarily a strategic negotiation tool. Companies facing these situations nevertheless were compelled to devote valuable time, energy and resources to prepare proxy statements and explore settlement options with the activists. The short time period between nomination windows and

when proxy statements must be filed puts tremendous pressure on companies to dual track 'fighting' and 'resolving', especially in situations where companies are ambushed by activists a mere few months before an annual meeting.

**Glover:** Activism levels were very high during 2024 and have remained high during the first half of 2025. Activism has become a global phenomenon, and the total number of funds has continued to grow. Many of the big name funds have been very active, launching multiple campaigns. Smaller funds have also been active. Companies targeted by activists are entering into settlement agreements more quickly than was the case in the past, and the number of campaigns that result in proxy contests has diminished. The increased willingness to settle may be attributable in part to the universal proxy card, which makes it easier for activists to target individual directors. It may also be attributable to the fact that institutional investors are more receptive to activist proposals than was the case in the past. There are an increasing number of situations in which multiple activist funds challenge the same company. This phenomenon may be a product of growth in the number of funds and competition for targets. It may also reflect the activists' recognition that when they join forces the pressure on the target increases. In some multiple activist situations,

however, the activists do not take the same position. The end result is more complexity for the target.

**Scrivano:** Activists have maintained a focus on total shareholder return (TSR) and operational performance, with TSR and performance weakness still being the major activist campaign attractant. Furthermore, the spotlight continues to be on operational improvements, such as cost cutting and operating expense reduction. Corporate governance weaknesses have also drawn activist attention. Recently, tariffs and market volatility have disrupted M&A, which has in some cases increased activist activity at particular companies, while decreasing it at others. This past year has also seen a significant number of break up or divestiture campaigns by activists, including at some fairly large companies, such as CVS, Honeywell, Becton Dickinson, Kenvue, Warner Bros. Discovery and others. Unsurprisingly, the universal proxy card continues to facilitate split votes between activist nominees and company nominees. In addition, activist funds have resumed nominating their own employees to boards.

**FW: Which issues are currently driving activist campaigns, and how do shareholder-friendly legal frameworks influence their likelihood of success?**

**Tucker:** There is a focus on calls for companies to look at where

business lines could be separated. In the past few years, there has been a real increase in the number and size of spin-off transactions. Most of all, we see the market consistently rewarding companies that pursue these transactions. This dynamic really challenges a board to articulate the benefits of the combined company and the risks of separation, both areas where concrete data is often hard to find. These arguments tend to focus on long-term stability, which requires a significant level of trust between investors and boards. Activists are adept at claiming any resistance to a separation is simply entrenchment.

**Tetelbaum:** Activists continue to prioritise short-term agendas that can come at the expense of long-term value creation, relying on a tired formula of targeting ‘underperforming’ companies. Activists often use cherry-picked metrics, challenging long-tenured directors, irrespective of the institutional knowledge and industry expertise they may bring, and push for event-driven outcomes such as breaking up or selling the company, even if at inopportune times. Even the smallest hedge funds are legally permitted and practically able to buy into a company and run a control proxy fight without meaningful financial commitment or any long-term orientation. The disruption caused by many activist campaigns risks undermining the board’s deliberative processes, continuity

and cohesion that are essential for sustained corporate performance and long-term value creation.

**Glover:** Over the past year, more and more activist campaigns have focused on operational and strategic issues. For example, activists have been making arguments that a company should employ more effective cost controls, devote more resources on high margin businesses, or otherwise adjust business strategies. In many cases they have also argued that the chief executive and other members of the management team should be replaced. These kinds of campaigns often take time to gain momentum, but if they succeed they can generate significant returns for the investor. The number of campaigns focused on M&A issues has declined somewhat, which may be in part because the M&A markets have been relatively cold. The SEC’s decision to adopt the universal proxy card rule two years ago has probably helped activists by increasing pressure to settle. Delaware courts’ insistence that bylaw regulations governing access to the shareholder meeting ballot should not be unduly restrictive has also helped activists.

**Scrivano:** TSR or performance weakness continues to be the driving force in activist campaigns. It tends to be challenging to defend directors or a board that has overseen TSR or performance weakness for a durationally

significant period of time. Operational improvements and cost overruns also invite scrutiny. In parallel, portfolio review, especially in cases where a company division could be sold or spun off, and companies integrating M&A, are targets for activists. Single class boards open up the potential for a control slate. Over the last 20 years, the staggered board has become rarer at Fortune 500 companies, with many having pre-emptively de-staggered their boards. Many of these companies took solace in the fact that they were large enough that they did not need to fear a takeover offer; however, they did not see the threat on the horizon of activist attacks that do not seek to acquire the company but rather to obtain control at the board of directors level.

**Riches:** In February 2025, there was an expansion in SEC guidance regarding shareholder engagement, which put investors at risk of having to adhere to more stringent 13D filing requirements should they be deemed to engage in a way which could effect change or influence control at a company. This resulted in many stewardship teams adopting a listen-only approach in meetings with both activists and companies, creating further uncertainty around how they may vote. It is not just institutions that have come under scrutiny in 2025 as leading proxy advisory firms ISS and Glass Lewis, which issue voting recommendations for their

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institutional clients, have faced legal pressure from the state of Texas. Texas passed a law which restricted the proxy advisers' ability to advise shareholders on ESG factors. ISS and Glass Lewis have responded by suing the state on the basis that the law violates their First Amendment right. It is notable that both ISS and Glass Lewis have been far more supportive of activist nominees in 2025 and activists have been more successful in winning board seats as a result.

**FW: What strategies are activists using to assert influence and drive change? How have these tactics evolved in recent years?**

**Tetelbaum:** Activists today employ a variety of strategies and tactics to influence boards in pursuit of short-term returns.

For example, some activists rely heavily on media-driven campaigns, using headline-grabbing narratives to shape public perception and investor sentiment. Others pursue more behind the scenes engagement, working directly with boards on substantive strategic initiatives. Although there is a practiced activist playbook, each activist has a different style and set of objectives, driven by the personalities involved. In recent years, there has been a notable rise in activist campaigns explicitly targeting chief executives and chairs of the board. While any activist campaign that criticises a company's strategy and operations can be viewed as an implicit attack on the company's management, activists have been more often explicit in advocating for chief executive replacement. Correspondingly, there has also



been an increased number of chief executive departures and resignations at companies targeted by activists in recent years, even after the chief executive prevails at the ballot box. This trend has magnified the importance of boards being fully aligned with management's strategy, as any daylight between a management team and its board may be amplified under the stress of an activism campaign.

**Glover:** The activists' basic playbook has not changed for many years. They look for a target that represents a good opportunity because it is underleveraged, has lots of cash on the balance sheet, presents M&A opportunities, underperforms its peers or has strategic or operational problems. Activists also look for situations

where they think they can persuade shareholders that the company has poor governance or a weak management team. When they find a suitable target, they will request meetings with the management team and the board at which they will describe their complaints, and perhaps also request the company to appoint new directors to help implement change. At the same time, they will seek support from other stockholders and may also seek to persuade other activist firms to join forces. If the target company does not agree to settle quickly, the activists ratchet up the pressure by going public and threatening a proxy contest. Activists have improved their game in a number of respects in recent years. In particular, they have become more sophisticated about proposing operational and strategic

changes, and they make more fully developed arguments for why changes are appropriate. They may enlist support from former board members or executives. They select qualified director candidates and press harder for early settlement. In addition, a number of funds have gained traction by arguing that they will be friendly and supportive of management if management is willing to implement their proposed changes.

**Riches:** Activists have continued to target company chief executives, with the number of activism-related chief executive departures steadily increasing year on year since the pandemic. Given the subdued M&A environment of recent years, an increased focus on operations and corporate strategy has led to chief executives coming into activists' crosshairs much more frequently, with activists applying pressure on boards to hold chief executives to account over any previous strategic missteps. 'Vote no' campaigns have also been used more frequently than ever before as activists look to prevent the election of the company's directors. These campaigns give an activist more flexibility around the timing of a campaign, as they need not comply with nomination deadlines, as well as on the cost and scope of the solicitation. A 'vote no' campaign can serve as a litmus test for shareholder sentiment and help activists send a message to a company that change is required.



*When investors believe that the management team is listening to them and responding proactively, they are much more likely to support management if and when an activist appears.*

STEPHEN I. GLOVER  
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**Scrivano:** In a departure from the traditional activist tactic of a private approach combined with increasing pressure and then a public disclosure, certain activist funds have resorted to issuing public letters to companies or filing schedule 13Ds disclosing a substantial stake in companies with little to no warning to those companies. Recent examples include Wolfsped, Rapid7, Qorvo and others. In addition, certain activist funds, such as Elliott and Ancora, have been more willing to propose a control slate in a proxy contest, as occurred in Southwest and Norfolk Southern, respectively. A more stark example is Gildan Activewear's entire board resigning in response to an activist campaign by Browning West. Swarming is another tactic that has continued to occur, whereby multiple activists target the same company, often around the same time.

**Tucker:** One of the more notable trends we have observed over the past few years is the speed of settlements and the increase in private settlements, such as where a company and activist settle without any prior public disclosure of the activist's position. At the same time, we are seeing an increase in activists forming strategic committees through settlement. These trends, taken together, really indicate activists' significant ability to quickly change the direction of a company. Alongside this, we are seeing a generational change with

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new funds being started quickly. In our experience, the new funds are moving more aggressively as they need to prove a differentiated rate of return and a brand their limited partners would recognise.

**FW: Have any recent activist campaigns stood out to you? What lessons can be drawn from their execution and outcomes, such as changes in board composition or corporate strategy?**

**Scrivano:** Activists are continuing to push for change after board victories. At Norfolk Southern, Ancora's board victory led to international investigations resulting in the termination of the chief executive and general counsel. A similar pattern emerged at Kenvue, where Starboard settled for three seats and then orchestrated

the ousting of the chief executive several months later. Mantle Ridge also stands out – by targeting the chief executive of Air Products, among other directors, in a proxy contest – the chief executive lost his board seat in the proxy contest and resigned shortly thereafter. Another notable development is that certain tier one activists that have previously not taken a contest to a vote are now doing just that, as seen with Elliott's successful proxy battle at Phillips 66.

**Tucker:** There have been several campaigns in recent years that have put chief executives in focus. These stand out as a number of these engagements went through a proxy fight where chief executives consistently remained in their jobs. That is a really important lesson that it is easier for activists to replace directors than to replace

chief executives. It also affirms that in fights that focus on operational issues primarily, the investors remain sceptical that activists have any special insight.

**Riches:** One of the most interesting activist situations took place at healthcare products distributor Henry Schein. The company initially faced pressure from Anany Capital Management which had been gearing up for a proxy contest. However, before Anany had a chance to nominate, Henry Schein announced a deal with private equity (PE) behemoth KKR, which became one of the company's largest investors and took two seats on the board. An expanded share repurchase programme was also initiated and in the months since, the company's president has stepped down and

Henry Bergman, the company's long-term chief executive, has announced his retirement. This situation is a perfect illustration of how PE can utilise activist strategies and highlights how activism and PE are converging.

**Glover:** Recent campaigns in which activists have successfully argued that a company is underperforming and that the chief executive should be removed have been interesting to watch. These campaigns demonstrate how much pressure activists can apply to boards of directors. It has also been interesting to watch the relatively few campaigns that have resulted in a live proxy contest, since contests generally go forward only when the target board strongly believes that it is on the right side of the debate with the activist. Finally, it has been

interesting to see activists look for opportunities outside the US and launch campaigns in other markets.

**Tetelbaum:** No two activist situations are alike and many of the most interesting situations are resolved behind the scenes. For boards and management, it is often a key priority to minimise the distraction and potential disruption that public campaigns can cause for stakeholders. The most high-profile situations are ones with the most well-known activists at blue chip companies, especially those that get close to, or go the distance to, a vote. Proxy battles that go the distance usually do so because of the irreconcilable differences between the objectives of the board and the activist. Boards that are well advised and maintain consistent engagement with shareholders are best positioned to go the distance and prevail in a vote. Success lies in maintaining year-round dialogue – not just during proxy season – while delivering a clear, consistent and uniform message and articulating a long term strategic vision aligned with shareholder interests.

**FW:** How would you define institutional shareholder engagement, and why has it become a critical component of activist defence?

**Tucker:** Institutional shareholders are absolutely essential. In most public companies, the top 20 or so investors control



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more than 50 percent of the vote. That is ultimately a relatively small constituency that can dictate the outcome of a proxy fight. Far too often we see engagement with this group become perfunctory and stale. Management teams can easily get into a repetitive groove and miss any nuance in feedback that would indicate the mood is shifting. We think there is woeful underinvestment in credible research and data in this space. No elected officials stake their careers on anecdotal experience with voters, so why do boards?

**Riches:** Institutional shareholder engagement is a programme designed to connect with a company's largest institutional investors. The process begins by accurately identifying the beneficial owners behind custodial accounts and analysing their historical voting behaviours, as well as reviewing available voting rationales and other relevant research. Following this analysis, targeted outreach is conducted by the board or senior management to these key institutional shareholders. These direct engagements provide valuable insights into investor perspectives, including concerns that may have led to opposing board nominees or executive compensation. The feedback obtained enables companies to proactively address potential gaps or weaknesses in their governance practices, potentially reducing their vulnerability to activist interventions.

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**Glover:** A company that is the target of an activist campaign can reach out to its shareholder base in a variety of ways. It can issue press releases, make statements in social media and mail letters to stockholders in which it responds to the activist's arguments and explains management's plan for the company. If the activist launches a proxy contest, the target can also make its case in its proxy statement. These company materials can also be posted on a website. One on one meetings with significant stockholders are a critical part of the shareholder engagement process. These meetings are very important because they help the company identify which investors are its strongest supporters, which are on the fence, and which are likely to side with the activist. They also help the company determine whether the arguments it is making

resonate with shareholders, whether it should make changes to those arguments, and whether it should consider settling with the activist or continue to fight.

**Scrivano:** Institutional shareholders remain critical to the outcome of any proxy contest. The big three passive investors, BlackRock, State Street and Vanguard, continue to play a decisive role in winning proxy contests. Many times, these investors tend to back incumbent directors, and are less likely to back an activist slate. Large institutional investors are also very important, and companies should be building and maintaining relationships with these key shareholders; after all, the activists are certainly hard at work trying to build these relationships. Ultimately, continued shareholder engagement with all

institutional investors, whether large or small, is key. Companies should be establishing relationships and communicating the company's strategy and plans to these institutional investors, even if there is no activist threat on the horizon.

**FW: In what ways can shareholder engagement serve as an early-warning system to identify governance vulnerabilities before they attract activist attention?**

**Scrivano:** Regular meetings with the company's shareholders are the best way to build and maintain relationships. These meetings can also serve as an early warning to management and the board of shareholder unhappiness with management or performance or activist threats on the horizon. Additionally, stock watch programmes offered by proxy solicitation firms can serve as an early warning sign of activist interest by alerting companies to unusual reading patterns, such as unusual activity in the company's stock – to the extent ascertainable – at prime brokers connected to the company's stock. Vote analysis is a useful tool in assessing the company's and the activist's chances for victory in a proxy contest. Internally, companies should also monitor their investor relations inbox – complaints and negative feedback from shareholders sent to investor relations may indicate vulnerabilities.

**Glover:** Engagement with institutional and other significant investors before an activist campaign starts can provide an effective early warning system. If a company's internal investor relations team meets regularly with investors, it can learn about the investors' concerns and develop and explain management's plan to address these concerns. If the company's proposed solutions do not resonate with the investor base, management can consider adjustments that accommodate investor concerns. When investors believe that the management team is listening to them and responding proactively, they are much more likely to support management if and when an activist appears.

**Riches:** Institutional shareholders prefer to invest in companies that demonstrate long term value creation, good governance and a low to moderate risk profile. As part of an investor's due diligence, they typically initiate a governance risk assessment and when companies reach out through shareholder engagement, institutions convey their concerns to management. Should quarterly and annual results disappoint, then governance weaknesses become more prominent and a larger discussion point. Should these concerns not be addressed sufficiently and financial results continue to underperform peers, they become an entry point for potential shareholder activism.

Shareholder engagement serves to alert companies to structural governance issues that institutions and activists may find unfavourable and allows for these issues to be addressed before an activist appears.

**Tetelbaum:** While stock watch firms can monitor activist activity through investor relations pages and occasionally anticipate activist threats, activists have grown increasingly adept at operating discreetly. Many build significant positions while remaining under the radar, leveraging sophisticated strategies to avoid early detection. Despite their capabilities, activists rarely present wholly novel strategic ideas. Boards that engage regularly with shareholders are better positioned to anticipate concerns and evaluate strategic alternatives on their own terms. Proactive engagement enables boards to develop deeper insight into shareholder priorities, mitigating the risk of being caught off guard. When faced with business suggestions, boards should respond deliberately, assessing each suggestion in good faith and equipped with adequate information and expert guidance. Incorporating insights from analyst reports can further enhance a board's understanding of its vulnerabilities and help refine its strategic direction. Ultimately, staying ahead of activism requires regular stakeholder engagement

and a commitment to thoughtful governance.

**Tucker:** Too often boards view engagement with shareholders in a black and white framework: investors are either for us or against us. For a long time, that was effectively true. If an investor owned the shares, they were supportive; if they were not supportive, they sold their shares. Markets have changed in structure and investment style, making this dynamic no longer true. Boards need to think about where support can erode slowly over time and recognise that shareholder engagement is more akin to a relationship that needs to be nurtured than a transaction. One simple trick is for boards to evaluate annual general meeting voting results and ask where shareholders expect them to respond and if more context is required.

**FW: What emerging issues are likely to shape shareholder activism in 2025 and beyond? How should companies prepare to respond?**

**Glover:** The number of campaigns focused on operational issues will likely continue to grow. If the M&A markets become more active, campaigns that focus on M&A issues will make a resurgence. Companies are likely to continue to settle quickly, particularly when they are challenged by a well-known activist with a strong marketplace reputation or are

targeted by multiple activists. Activists are less likely to focus on ESG issues than was the case in the past. A campaign that argues that a company should focus on ESG issues will not win strong support unless the activist can show a clear connection between those issues and economic returns.

**Riches:** While operational activism has outstripped M&A-related campaigns in the years after the pandemic, companies should expect activists to increase their focus on transactions as market conditions improve. Activists have already been focusing on break-up and spin-off demands to find higher valuations, and corporations need to ensure that they are communicating to both shareholders and the market in general why businesses across different industries should remain integrated. While it is been harder for activists to push for companies to sell within the current regulatory and macroeconomic environment, boards still need to demonstrate that they have not ignored 'strategic alternatives' and have a response ready should an activist look to apply pressure.

**Tetelbaum:** In today's volatile environment – shaped by M&A uncertainty, tariffs, ongoing geopolitical conflicts, the rapid adoption of artificial intelligence and an evolving media landscape – boards are under heightened scrutiny. Any misstep in navigating

a crisis risks being reframed by activists as a governance failure. In this context, boards must be especially vigilant, recognising that even well-intentioned decisions may be second-guessed in hindsight. The most effective preparation involves disciplined governance: using the board calendar and agenda strategically, anticipating risks and ensuring decisions are grounded in well-informed analyses. By acting on a reasonable and informed basis, while maintaining records of the decision-making process, boards can improve their credibility and resilience when faced with activist threats.

**Tucker:** We think there will be two major focus areas in shareholder activism going forward. The first will be a continued focus on operational improvement campaigns, where activists target relative performance, both in terms of revenue growth and profitability. This will be particularly noteworthy, as changes to global trade are creating tangible costs and strategic dilemmas for nearly every company. Activists will be quick to target companies that are perceived to be falling behind. We also think we will see a reinvigoration of activists focused on M&A-oriented themes, both continuing the separation theme and returning to a call for companies to be sold.

**Scrivano:** Looking ahead, shareholder activism will accelerate and continue to evolve. It will

likely continue trending toward faster, more public and coordinated attacks. We are seeing certain activist campaigns begin with a public announcement of a position, with little to no advance warning to the company – that tactic may be used more frequently going forward. At the same time, the persistence of swarming continues to pose challenges. Large stake building is also on the rise, giving

activists an outsized presence in proxy fights. In response, companies should reassess whether a poison pill – triggering at 10 percent – might be effective to prevent a rapid accumulation of shares. If an activist rapidly accumulates in excess of 10 percent of a company's shares and continues to buy, concerns of creeping control and the loss of a level playing field in a proxy contest begin to arise. ■

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