

SHAREHOLDER ACTIVISM: A SWISS CASE STUDY

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Abstract

How to cite this paper: Rautenstrauch, T., & Hummel, J. (2022). Shareholder activism: A Swiss case study. *Corporate Ownership & Control*, 19(4), 30–41.
<https://doi.org/10.22495/cocv19i4art3>

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ISSN Online: 1810-3057

ISSN Print: 1727-9232

Received: 25.04.2022

Accepted: 11.07.2022

JEL Classification: G34, L22, M16, M21, O16
DOI: 10.22495/cocv19i4art3

This article examines the phenomenon of shareholder activism using a case study methodology as a qualitative research approach. Three affected Swiss public companies have been selected on the basis of an evaluation of all corresponding reports published by *Finanz und Wirtschaft (FuW)*. The study covers the period from 2015 to 2019. The chosen companies, Meyer Burger, GAM (Global Asset Management), and Clariant, were examined over this period. Our results show, that individual activist investors were able to generate substantial profits for themselves during the period studied, but not in a long-term and sustainable manner. Shareholder activism manifested itself in various forms and strategies within the scope of the individual cases. However, we were able to identify a general scheme of engagement for shareholder activists. Our research further shows that interests between long-term investors and management often collide when it comes to decisions about mergers and acquisitions (M&A). This results in shareholders tending to engage in shareholder activism as a countermeasure in order to enforce their demands.

Keywords: Investor Activism, Investor Influence, Shareholder Activism, Private Equity Influence, Hedge Funds Influence, Corporate Governance

Authors' individual contribution: Conceptualization — T.R.; Methodology — T.R.; Investigation — T.R. and J.H.; Writing — Original Draft — T.R. and J.H.; Writing — Review & Editing — T.R. and J.H.; Visualization — T.R. and J.H.; Supervision — T.R.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

Acknowledgements: The study has been conducted within the scope of a research project funded and commissioned by the University of Applied Sciences in Business Administration Zurich (HWZ).

1. INTRODUCTION

In the last 10 years, major shareholders of European companies have begun to increasingly exercise their shareholder rights (Jostarndt, Wolf, & Degen, 2020). The phenomenon of shareholder activism, which was previously predominantly widespread in the US, has also been spreading in Europe for some time now.

In general, shareholder activism could be described as the active influence of a single or a group of shareholders on the appointed management (Smith, 1996). Even though shareholder or investor activism has been known and inextricably linked to the history of public companies for a long time, it still remains as a timeless dilemma in

corporate governance which is frequently portrayed in business media (Koppell, 2011).

Besides only recently emerging in Europe, Jostarndt et al. (2020) state that shareholder activism is here to stay. Having said that, there are hardly any studies for continental Europe, especially for Switzerland, that deal with essential properties of shareholder activism (Becht, Franks, & Grant, 2015; Cziraki, Renneboog, & Szilagyi, 2010; Mietzner, Schweizer, & Tyrell, 2011; Schüler, 2016). In particular, there is a lack of knowledge about the motives, patterns of action, and effects of influence on the management of affected companies.

We have concentrated our efforts on resolving the aforementioned unknowns by conducting a case

study including three listed Swiss companies included in the Swiss Performance Index (SPI). We strive to provide further scientific insight on the main fields of activity which activist shareholders chose to exert their influence as well as the observed specific strategic approaches of activist shareholders. In the next step, this paper shall describe the effect of shareholder activism on Swiss listed companies' share prices and investigate how activist investments have impacted shareholder value.

The analysis is guided by the following three research questions which will be resolved within the scope of this paper.

RQ1: How did the phenomenon of shareholder activism evolve in Switzerland from 2015 to 2019 and what were the relevant fields of activity of shareholder activists observed within the sample of Swiss companies taken?

RQ2: What general pattern of action can be identified regarding the influence of shareholder activists on managing bodies of affected Swiss companies from 2015 to 2019?

RQ3: What effect did shareholder activist intervention have on the shareholder value for the Meyer Burger, GAM, and Clariant from 2015 to 2019?

Given the importance of the Swiss financial center, which in the past has been sought by foreign investors as a "safe haven" not only in times of crisis, we aim to contribute to more transparency on the influence and effects of shareholder or investor activism on listed Swiss companies. Furthermore, we intend to provide potential victims of shareholder activism in Swiss financial markets with crucial knowledge of shareholder activism in order to prepare them for potential assaults.

The remainder of this paper proceeds in the following way. Section 2 will highlight previous contributions to the field of shareholder activism research, followed by the description of the methodological approach in Section 3. The presentation of results will be subject to Section 4 which will be followed by the discussion of these results in Section 5. Section 6 will then conclude our findings and clarify on contribution, limitations as well as possibilities for future research.

2. LITERATURE REVIEW

While there are still some crucial unknowns in research on shareholder activism, especially when talking about its European stream of research, scientific consensus has been reached on some key properties of the phenomenon.

The general causes of shareholder engagement, for example, have been thoroughly addressed by current research. In a multidisciplinary study of the subject, Goranova and Ryan (2014) have identified two main paths of shareholder activism. They state that activist behavior is either of social or financial motivation. We focused our analysis on the financial side of shareholder activism, where current literature happens to be quite outspoken about motives for activist behavior.

Firstly, there lies great scientific consensus on shareholder activism being a tool for the reduction of agency problems (Brav, Jiang, Partnoy, & Thomas, 2008; Denes, Karpoff, & McWilliams, 2017; Gillan & Starks, 2007; Hoffmann & Fieseler, 2022; Klein &

Zur, 2009), sparked from the separation of ownership and control in public companies as described by Jensen and Meckling (1976). In order to take this separation into account, numerous different corporate governance models have been established (Donaldson, 1982; Friedman, 1970; Rappaport, 1986), which attempt to make the delegation as efficient and effective as possible (Spremann, 2007). Despite these attempts, shareholder activism can be seen as an additional tool to further reduce agency costs. Aligning the value-creating interests of shareholders (principals) with those of the management (agent) (Goranova & Ryan, 2014; Nicolai & Thomas, 2004) can, therefore, be described as a crucial task for such a tool. Even if shareholder activists solely improve monitoring activity over managing bodies, agency costs can be reduced (Brav et al., 2008; Denes et al., 2017), and company value increases (Gillan & Starks, 2007; Thamm & Schiereck, 2014).

Secondly, corporate governance concerns and the resulting opportunistic possibilities are most often described as further propulsion for shareholder activism (Becht et al., 2009; Cziraki et al., 2010; Gillan & Starks, 2007; Hoffmann & Fieseler, 2021; Klein & Zur, 2009).

The last big common denominator in current research regarding a potential motive for shareholder engagement is the abnormal return often coherent with activist behavior (Becht, Franks, Mayer, & Rossi, 2015; Brav et al., 2008; Denes et al., 2017; Khorana, Shivdasani, & Sigurdsson, 2017; Klein & Zur, 2009). As profoundly displayed by the summary of empiric research from Denes et al. (2017), properties as well as the materialization of abnormal returns are quite heterogeneously described in current studies and therefore are to be determined based on different specific circumstances and variables. The study by Brav et al. (2008) depicts this as the motive least likely for activist intervention; as abnormal returns started to monotonically drop in the US over their investigation period, with their prediction having abnormal returns dropping even more. These findings, however, contradict the results of the study from Jostarndt et al. (2020) for central Europe, which finds positive abnormal returns between 0.4% and 1.8% for activist campaigns in the DACH region (Germany, Austria, and Switzerland) depending on campaign objectives.

On a different note, it is of great importance to mention that shareholder activism has been on the canvas of science in the US since the 1980s and only recently reached continental Europe. Three main reasons for this comparatively late arrival of activist investors to the central European economic area can be identified.

One rationale proposes that there is certain uniqueness in the European corporate environment. Compared to American and even British standards, Europe has a very small amount of listed companies, which limits accessibility to big company stakes needed for activism (Schaefer & Hertrich, 2013). This is especially true for large investment vehicles such as hedge funds. The deviating two-tier corporate governance system and the weaker legal position of shareholders compared to the US (Cziraki et al., 2010; Schaefer & Hertrich, 2013; Thamm & Schiereck, 2014) can also be mentioned as restraining factors for shareholder activism in the DACH region.

Becht et al. (2009) imply that the extensive privacy enjoyed by large volume investors or so-called blockholders in Europe can be classified as a reason for the rising popularity of shareholder activism in central Europe, as this privacy makes it easier to persuade fellow blockholders and investors of activist ideas and hide the true intentions behind big investments. That said the true reason for the late emergence of activist shareholder activity in central Europe remains unstated by current research. The fact is that from an investor's point of view, around 60% of activist campaigns have been successfully completed in the last 10 years (Jostarndt et al., 2020). This success rate, as well as several minor adjustments in shareholder law favoring equity investors (Schaefer & Hertrich, 2013), are incentives for increased shareholder activism in central Europe.

3. METHODOLOGY

3.1. Case study approach

We have chosen the case study analysis as our research approach because of its ability to view a certain phenomenon in detail and isolated it for each different case. This observational study, therefore, relies on a descriptive research approach that is chronological and retrospective, with data collection and analysis based on observable behaviors of the companies under study and their relevant stakeholders (Lamnek & Krell, 2016). That allows us to get a deeper and more detailed understanding of shareholder activism on the level of each case. Furthermore, a quantitative study with statistical analyses is regarded as premature considering the general state of science in this field, especially in the DACH region.

According to Yin (2018), case study research is used in empirical studies for research on timely phenomena in their real-world context. The author deems case study research especially useful in conditions, where the borders between phenomenon and context are difficult to identify (Yin, 2018). A case study-based research approach is primarily used in cases for polarizing, interesting or typical, and particularly representative research (Lamnek & Krell, 2016).

Case studies are conducted after in-depth preparation and evaluation of all considered prevailing cases which are relevant to the proposed research questions. This means that the samples for the study are not randomly selected from the population, but that the cases are chosen with the help of a selection procedure. These selection procedures can be multifaceted and are to be tailor-made for different research objects.

3.2. Study design

We have gathered necessary data from three essential sources: Public data from Tamedia AG's *Finanz und Wirtschaft (FuW)*, a well-known Swiss business journal, publications from the companies subjected to our research as well as official data from the Swiss Infrastructure Exchange (SIX).

For the time frame, we have chosen a 5-year long duration starting on January 1, 2015 and ending on December 31, 2019.

The sample of three Swiss public firms has been selected out of a population of 221 public Swiss companies¹. This selection process was based on keyword research on the topic "shareholder activism" on the search platform of *FuW*, a leading Swiss business journal. The sample firms have not been chosen in a random process, as we wanted to dig deeper into cases with high exposure to shareholder activism.

It is important to mention, that we have concentrated our effort to search for cases of shareholder activism on just one searchable source in order to get a feeling for the tendencies regarding this topic inside Swiss markets.

After filtering for the desired time frame and keywords, we have assigned all found archive articles to their respective Swiss public firm and respective category of an area of influence over the firms. This left us with a number of suitable companies, from which we have selected our sample of three Swiss public firms.

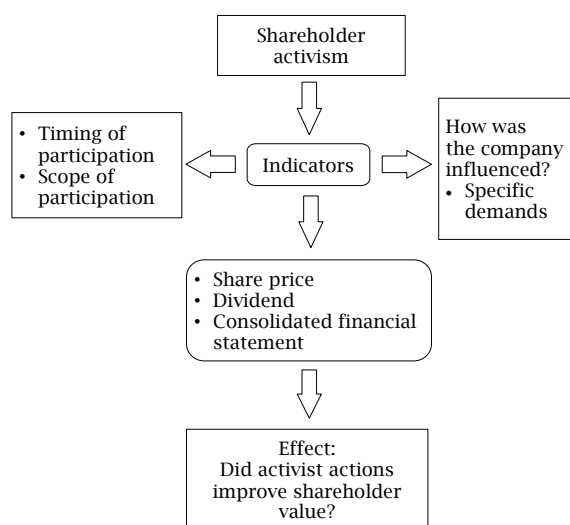
Case studies in general can be evaluated in the following ways (Lamnek & Krell, 2016; Miles & Huberman, 1994):

- on patterns and their comparison (pattern matching);
- finding cases with the same result (literal replication);
- from data of cause-effect chains and logical models (explanation building);
- for long-term studies, by a description of the chronological development, sequences, contingency, and intervals.

This study uses a comparative as well as a pattern-matching approach to evaluate and examine the individual case studies. In a first step it is to be analyzed which circumstances favored the participation of activist investors after, in a further step, the actions and the approach of activist investors are to be determined. These are the key indicators that influence key company figures, which can then be compared and checked for patterns.

Figure 1 below illustrates the approach mentioned above:

Figure 1. Research grid



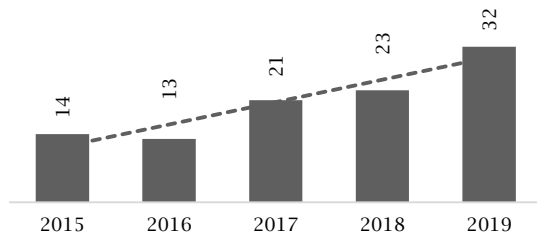
¹ This number varies throughout the research duration due to the delisting as well as new listings of companies on the Swiss stock market.

3.3. Data collection

3.3.1. General data

In a first step, we have gathered data from the archives of *FuW* using a keyword research approach on the topic of “shareholder activism”, focusing specifically on Swiss cases, in order to form a general tendential analysis.

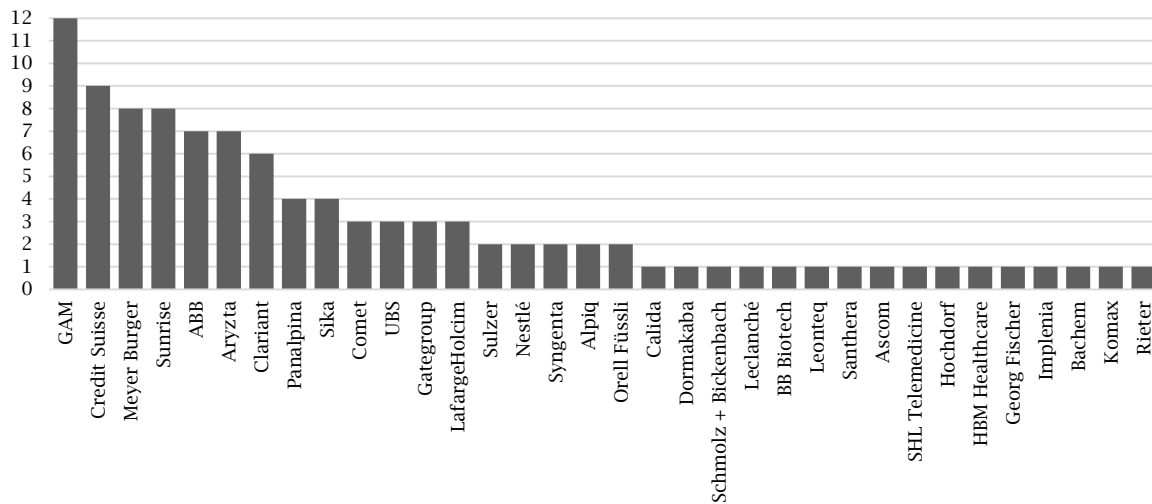
Figure 2. Number of articles mentioning shareholder activism in the *FuW* archives by year



With regard to Figure 2, it is to be noted that the topic of shareholder engagement had been increasing in media presence throughout the research period.

As can be deduced from Figure 3, all of the chosen sample companies have had high exposure to shareholder activism over the research period. Credit Suisse also stands out with a very high activist exposure, but this is mainly due to the fact that the bank was frequently mentioned in press releases due to cases of corporate spying. We have chosen firms with very high exposure to shareholder activism as well as different and generalizable causes for activist intervention. All of the selected companies oblige to these requirements.

Figure 3. Number of articles regarding shareholder activism published by the *FuW* during the research time frame (from January 1, 2015, to December 12, 2019) per company



Note: Number of companies listed under the SPI at the time (N): 221. Number of SPI companies subjected to shareholder activism (P): 34.

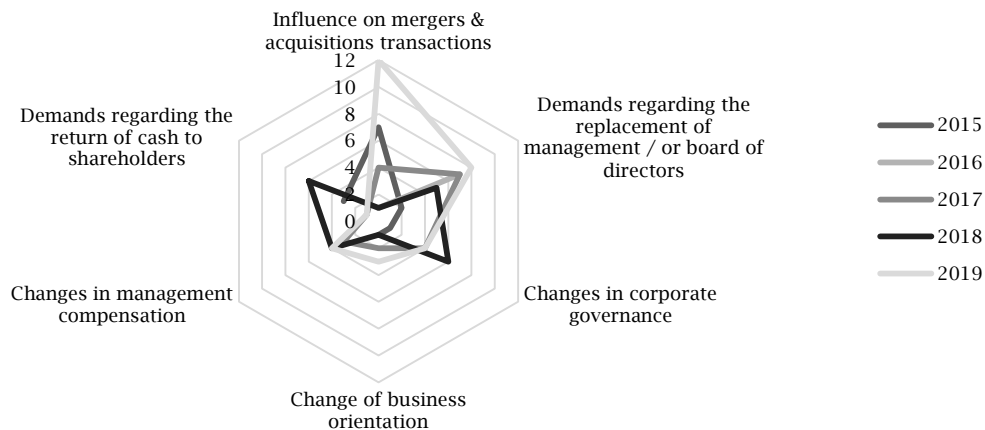
We have filtered the found articles according to areas of interest of shareholder activists and have identified the following key concerns:

1. Influence on mergers and acquisitions (M&A transactions).
2. Changes in the corporate governance structure.
3. Change of business orientation.
4. Changes in management compensation.
5. Demands regarding the return of cash to shareholders.
6. Demands regarding the replacement of management and/or board of directors.

The frequency of each concern can be displayed via a radar chart, which gives us a comprehensive look at the relevance of each identified area of interest for activist shareholder engagement in Switzerland.

Figure 4 shows a clear preference for shareholder interventions towards the field’s influence on M&A matters and demands regarding the replacement of management or board of directors. While M&A has been a common field of activity in 2015 and 2019, replacement requests for board members or even management have been the most consistent concern of shareholder activists throughout our research.

Figure 4. Observed areas of activity for shareholder activism and their respecting frequency inside the sample taken from *FuW* articles (from January 1, 2015, to December 12, 2019)



3.3.2. Meyer Burger

Sentis Capital PCC was the biggest shareholder of Meyer Burger² over the research period with assets worth 11.783% of the firm's total value (as of December 31, 2019). This portfolio of shares originated from an initial investment of a sister company called Brustorm SA (Swiss Exchange Regulation [SER], 2016) which in 2018 transferred the share package to Sentis Capital through an integration process (SER, 2018a). The owner of these investment companies including their holding company Elbogross SA, Pyotr Kondrashev, has steadily increased his participation since his initial investment through Brustorm SA.

During the research period, Meyer Burger was affected by various demands from activist shareholders who tried to exert influence on the company. The activist intervention began after the search for new investors, caused by a big loss in 2015, was fruitfully concluded with an equity capital increase in 2016, which was also the time of the investment from Brustorm SA.

First activist demands were brought forward in the general assembly on April 27, 2017, where Brustorm demanded a renewal of the board of directors and proposed an extraordinary general assembly as described in article 699 in the OR (*Obligationenrecht*). Both of these demands were rejected by the general assembly. There was additional criticism towards the management and the board of directors as well as towards the compensation system for the aforementioned parties.

One year later, on May 2, 2018 the next general assembly was held, where Brustorm demanded an individual "décharge" which would have been used to individually evaluate, whether each member of the board of directors should be discharged of the responsibility for the fiscal year of 2017. This demand was denied by the general assembly, which

agreed to the original demand of a general "décharge" for the board of directors (Meyer Burger, 2018).

Before the general assembly in 2019, the activist investor now called Sentis changed its approach to its activist investment. The webpage www.changemeyerburger.ch (no longer online) was founded to collect data and clarify their intentions. A collection of the demands from the webpage found its way into the general assembly on May 2, 2019. The activist's fields of activity in this general assembly were the demand for a change to a more modern corporate governance system, the election of the board of directors as well as their chairman, the hostile attitude towards the remuneration report, and the remuneration system in general, the request for numerous changes in the articles of association and finally the demand for more information about a business case at the time.

Three demands regarding the articles of association were accepted by the general assembly (Meyer Burger, 2019a). This was the first success for the activist investors from Sentis. Due to them continuously increasing their participation in Meyer Burger over the research period, Sentis further succeeded with a request for an extraordinary general assembly which was held on October 30, 2019. The demand brought forward in this extraordinary general assembly, the election of Mark Kerekes (a Sentis representative) into the board of directors, failed to pass (Meyer Burger, 2019b).

3.3.3. GAM (Global Asset Management)

GAM (Global Asset Management) Holding³ has been subject to increased public exposure during the research period. This high public exposure was caused by activist investors as well as various scandals and negative headlines (Ade, 2019). The majority of public attention has been created by activist investor, Rudolph Bohli, with his short-term

² Meyer Burger is situated in Gwatt near Thun (Switzerland) and is a specialist in photovoltaic (solar), semiconductor, and optoelectronic industries. The company was founded in 1953 and focused on cutting and drilling technology until the early 1970s. With the emergence of the semiconductor industry as well as complementing technologies, the company was able to make a name for itself and became world-renowned. Due to rising levels of globalization and distortion of competition through Chinese competitors, the company faces increasing economic pressure.

³ GAM was founded in 1983 by Gilbert de Botton in collaboration with Nathaniel Charles Jacob Rothschild. In 1999, the company was sold to UBS for approximately 600 million Swiss francs. A few years later (2005), UBS sold the company for 5.6 billion Swiss francs to Bank Julius-Bär, which took GAM public in 2009. The current purpose of the company is to acquire and manage longer-term share participation in companies, especially financial companies.

investment through his hedge fund RBR Capital Advisors (RBR). The investment, with a share of 3.28%, only lasted from February 23, 2017 (SER, 2017a) to June 28, 2017 (SER, 2017c).

RBR has built up a reputation for its high rate of activist intervention in its investments. RBR's activist strategy is often of the same form and essentially builds on a profound due diligence preceding the investment in target companies. Most often, RBR is known to invest in companies suffering from financial and/or structural problems. The problems identified and specified through the due diligence process are then skillfully seized upon by the hedge fund (Kälin, 2017; Schenkel, 2017).

In the case of GAM, the first activist activities happened previous to any general assembly. RBR opened up to the other shareholders that the company would have to cut costs according to their analysis. They were also critical of the management compensation system in place and called for far-reaching measures to reduce costs. In order to emphasize these demands, RBR created the website with the address www.freegam.ch (no longer online), on which they schematically listed all their ideas and demands (Schenkel, 2017).

RBR submitted several agenda items to the GAM shareholders for voting at the general assembly in April 2017. These included demands in areas like the replacement of members of the board of directors and its chairman. In addition, they demanded for two new candidates to be elected to the compensation committee (Global Asset Management [GAM], 2017). All of these demands were rejected by the general assembly (GAM, 2017).

Indirect success was reached by RBR, as the compensation report from 2016 was rejected at the general assembly 2017 with a quota of 54.24%. Shareholders also rejected the variable compensation component of the management with a quota of 64.83% (GAM, 2017).

Shortly after the general assembly, Rudolf Bohli tried to convince the newly elected chairman of the board of directors, Hugh Scott-Barrett, of his future vision for GAM but had to realize that, in his opinion, the board of directors was not pursuing the right goals. Based on this assessment, he had first sold some shares on the stock exchange and shortly after placed the remaining shares on the market via block transaction (Keller, 2017).

The package of 4.73 million GAM shares (about 3% of GAM's market capitalization at the time) had been sold for 13.10 Swiss francs a piece and placed on the market through Credit Suisse, which resulted in a total profit of almost 30%. Rudolf Bohli stated in an article by *FuW* that he made a good profit on the deal and is satisfied with how it turned out (Keller, 2017).

3.3.4. Clariant

The shareholder association White Tale Holdings LP was the biggest and also most active investor of Clariant⁴ over the research duration. White Tale, consistent of the three American investors,

David S. Winter and David J. Millstone from the investment company 40 North as well as Keith A. Meister, chief of investment fund Corvex Management LP, had a peak participation of 24.99% at the time of their disposal of the shares, January 25, 2018 (SER, 2018b). The shares were sold to SABIC, a large Saudi Arabic chemical firm, ending the activist pressure, that started with White Tale's initial investment on June 22, 2017 (SER, 2017b).

After White Tale's initial investment, communication between the managing bodies of Clariant and the three White Tale's executives has been friendly and on a constructive basis. Clariant's strategy from the outset was to cooperate with White Tale, trying to prevent a potential proxy fight. However, as disagreements, mainly about a planned fusion with the American Huntsman Corporation, between the parties intensified and White Tale became more involved by taking initiatives at and outside of general assemblies, multiple tries to find a common denominator between Clariant's managers and White Tale's executives were unsuccessful. Ultimately, no agreement could be reached (Feldges, 2018).

First public activist activity from White Tale has been seen on September 18, 2017, as the group released a public letter, addressing their discontent with the planned fusion of the Huntsman Corporation and Clariant and demanded the rethinking of the planned undertaking as well as an elaboration of new/different ideas to increasing shareholder value. This push has been rewarded with success, as Clariant discarded its fusion plans on October 27, 2017 (Clariant, 2017).

After this success, the relationship between the parties cooled noticeably. One of the reasons for this was White Tale's demands regarding the sale of a company division (Plastics & Coatings, P&C) as well as increased criticism of the strategic orientation of Clariant. As a further demand, the investment company required three seats on the board of directors and threatened to call an extraordinary general assembly. Management signaled constructive cooperation but did not concede to any of the demands (Braun, 2017). This dispute has ultimately led to the sale of the shares to SABIC.

Although a positive return for White Tale is certain, no substantiated statement can be made about concrete figures, due to the deal being of an over-the-counter characteristic, which renders exact details inaccessible to the public. That said, our conservative estimate of the return is 20% or more, considering returns would have reached 26% if calculated with ordinary share prices.

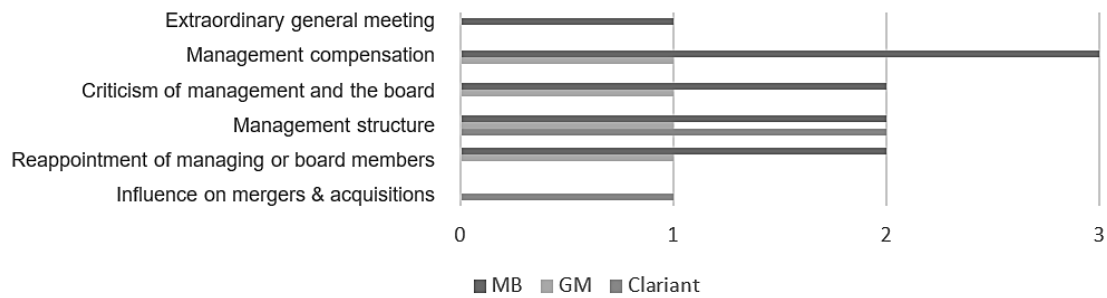
4. RESULTS

4.1. General findings

If the fields of activity are broken down to the three company cases portrayed in this paper, the distribution of observed fields of activity for activist investors is as described in Figure 5. Meyer Burger experienced the broadest activist intervention with activists acting in five different domains. GAM was the second most exposed of the case companies with activists intervening in four different fields of action, while Clariant was exposed to two domains of activist intervention.

⁴ Clariant Ltd., based in Muttenz BL, was created by a spin-off from a chemical division of Sandoz in 1995. At that time, the chemical industry was in a state of upheaval, as Sandoz and Ciba-Geigy merged in 1996 to form Novartis, which exists today. Since its foundation, Clariant has gone through various M&A processes and is now active worldwide in the chemical industry as a specialist for various chemical products.

Figure 5. Requests and actions made inside of the case study sample companies Meyer Burger, Clariant, and GAM



Activist activity materialized itself in different ways for each case. The effects are best conceived when comparing financial figures for the cases over the research period.

The most important indicator to analyze is share price development over the research period. This development is displayed in Figure 6. GAM and Clariant had an indisputably positive development over the duration of the activist investment. Meyer

Burger on the other hand showed good share price development in the first year after the activist investment but the share price took a big fall in the following years.

At the end of the research duration, only Clariant shares have slightly risen in price, whereas the shares of Meyer Burger, as well as GAM, have diminished in value.

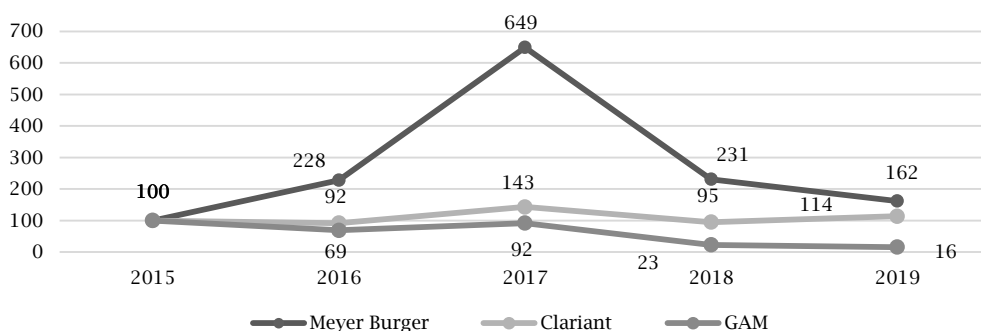
Figure 6. Share price development for each case study sample company in percent of share price on January 1, 2015 until the ending of the research period



The next important variable needing to be discussed is market capitalization. This variable, correlated with share price, shows some unusual traits over the research duration, especially for Meyer Burger.

As can be seen in Figure 7, the market capitalization of Meyer Burger has an unusual progression, whereas the progression of market capitalizations from Clariant and GAM are according to expectation.

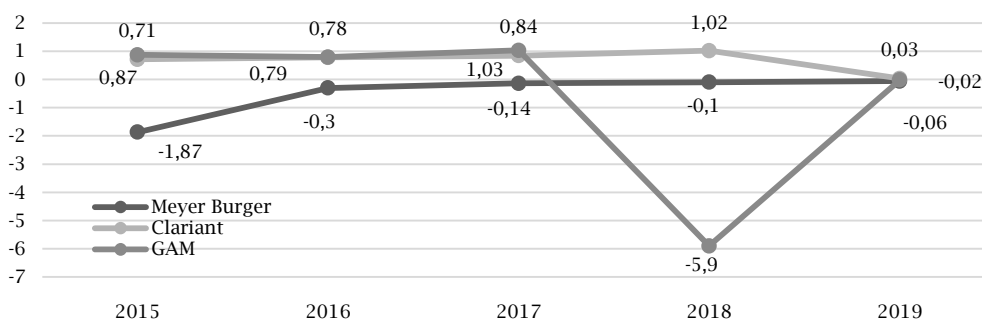
The spike in market capitalization of Meyer Burger in 2017 was caused by a substantial increase in share capital. The number of shares has been increased by the emission of almost half a billion new shares, an increase in the number of shares of 506%. Share price dilution and normal variance of market valuation then led to market capitalization falling in the following years. At the end of the research period, market capitalization has risen by 62%.

Figure 7. Market capitalization at the end of the year in % of base value 2015

A further interesting financial figure to look at is earnings per share. Analyzing the earnings per share gives us an overview of general business performance and potential uses of shareholder activism. Earnings per share, which are summarized in figure 8, have turned out to be very different in their distribution among the cases.

Especially the progression of earnings per share over the research period is very heterogenous for all of the sample companies. Meyer Burger has solely reported losses per share throughout, though there has been a steady decrease in this per share

loss over the 5 years. GAM had been able to make good earnings per share (comparably) the first three years of the research period which have then fallen off drastically in 2018 and almost recovered in 2019. The drastic loss per share in 2018 has been caused by a very bad fiscal year 2018 for GAM. Clariant on the other hand was the only company of the three with positive earnings per share throughout. Nevertheless, because of the low earnings in 2019 Clariant shows a negative trend in its earnings per share throughout our research.

Figure 8. Earnings per share in Swiss francs

4.2. Comparison with current research

When comparing our results with the findings from a meta-analysis of 73 studies summarizing over 30 years of research conducted by Denes et al. (2017), we find that our observations about the short-term impact of hedge funds or significant shareholder influence are mostly consistent with the current and historic stream of research. This consistency however fades when the longer term is subject to consideration. While most studies reviewed by Denes et al. (2017) found a positive long-term impact of hedge fund activism on abnormal returns, our findings cannot confirm an obvious positive long-term tendency. We have to be careful; however, as our case study approach only allows us to look at case-specific trends and cannot provide concrete opposing findings due to the lack of counterfactual data.

A multidisciplinary review conducted by Goranova and Ryan (2014) found a lack of consensus on the long-term impact of shareholder activism on share performance. This finding resonates with our results as no clear trend in share performance could be identified for the cases described in the long term.

5. DISCUSSION

5.1. Areas of activity

In summary, activist investors made claims in six different areas of activity. This is best seen in Figure 5. When the specific cases of influence of activist investors are analyzed, some interesting similarities can be observed. The most popular field of activity for activist capital owners was the structure of corporate governance, closely followed by management compensation concerns, with the structure of corporate governance seeming to be the only census in terms of activist activity.

The demands were always brought forward through various types of media. The most popular medium was the general assembly, websites and public letters to the management however are also worth mentioning.

When observing the fields of activity of the activist investors, it can be noted that the demands are almost exclusively limited to activities relating to corporate governance and steering activities of the company in general. Influence on specific issues such as M&A concerns has only been observed in one case.

In the context of our case study, activist investors tried to gain influence on company management in order to be able to influence the target company from various positions, be it seats on the board of directors or changes in the management. The gained control is then used to implement strategies in order to increase company growth and its media presence and thus achieve the desired short-/long-term share price performance. As the Meyer Burger case shows, this goal is not always achieved.

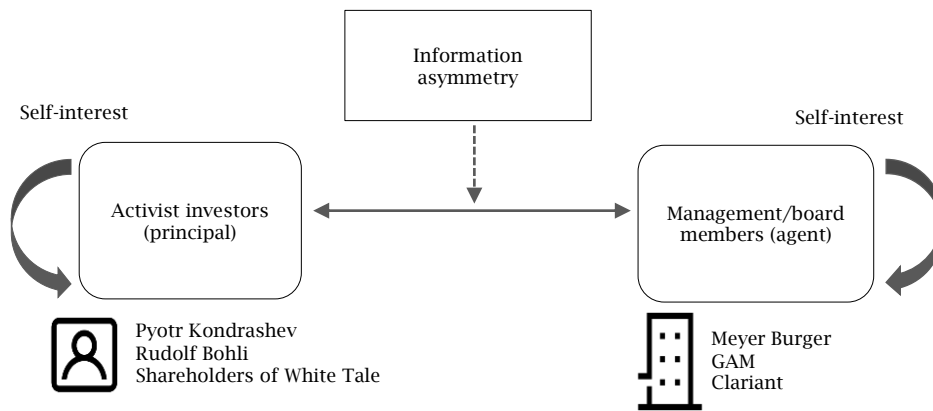
5.2. Patterns of action

5.2.1. Asymmetries of interest

Most investment companies are on the lookout for ailing companies or companies that they believe

the market is not valuing correctly. This basically constitutes a kind of “arbitrage”, especially since the market capitalization of the companies in question regularly does not correspond to the company value determined by investment companies. Investment companies try to exploit this difference in value for their own profit. Depending on their strategy, they may do so with long-term or short-term investments. Figure 9 shows this difference in the valuation of a company and information asymmetry in general in the context of the principal-agent problematic. These information asymmetries between shareholders and the agents can be reduced through activist investors, as communication increases between the parties and the information surplus of managing bodies is being negated.

Figure 9. Information asymmetries in principal-agent problems



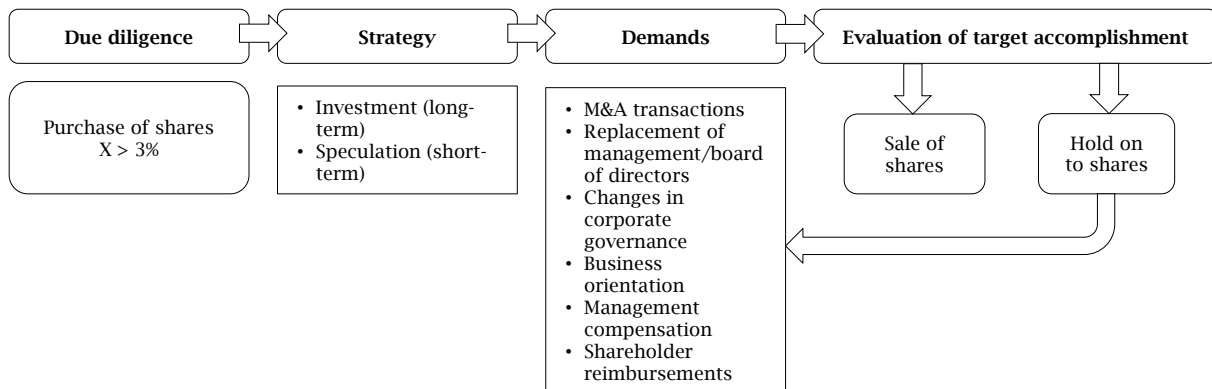
5.2.2. Pattern matching and comparison

With regard to the second research question, the case study has shown that activist investors pursue different strategies, approaches, and interests, which are not always apparent at first glance. Through a targeted analysis, we were able to identify a pattern that establishes the approach of the observed activist investors, which is displayed in Figure 10. The process described in Figure 10 represents a pattern true for all three cases of activist shareholder intervention. For each case, a slight or serious corporate imbalance, identified through thorough due diligence, forms the foundation

of activist investment. On the one hand, this enables investment at a lower price; on the other hand, the resulting increase in media representation as well as the problem-solving processes already taking place within the company to solve the mentioned imbalances result in activist activity having more weight than usual. Activist demands made at the general assemblies or in a public form, therefore, enjoy a higher impact.

If the activist’s demands made are fully or partially met and share prices experience an upswing due to this success, the share package is either sold or the activist continues his activity until the desired result has been achieved.

Figure 10. Pattern for activist activity



Sentis is pursuing a long-term investment. Whether Sentis' activist intervention will have a positive impact on the business and share price performance of Meyer Burger can only be conclusively determined through future retrospective analysis. The motives for Sentis' investment in Meyer Burger remain largely unclear. One possible reason for the investment could be access to key technologies, but it could as well be simply an investment that Sentis considers to be extremely lucrative in the long term. This is however pure speculation.

RBR pursued short-term goals. It cannot be conclusively said whether this was merely due to circumstances or whether this short-term strategy was planned from the outset.

White Tale pursued a mix of long-term and short-term goals. In contrast to RBR, the activist investors had been involved in Clariant for some time. The interests of White Tale were asymmetrical with those of the board of directors and management. The upcoming merger seemed to make sense to Clariant's executives but did not find enough support from a broad enough shareholder base, which caused a public dispute, won by White Tale.

5.3. Shareholder value

5.3.1. Meyer Burger

With Sentis, Meyer Burger has become a victim of a shareholder activist who tried to enforce his interests and demands over several years. Sentis only succeeded with small demands in the general assembly from May 2019. Sentis' shareholder engagement culminated with the media announcement on March 12, 2020.

Measured against the capital invested, Sentis made a loss over the research period, which was exacerbated in 2020 by the Corona crisis. Although the market capitalization has risen to 162% of its original value, this increase in market capitalization seems inadequate considering the 506% increase in the number of shares. The market has therefore not been generous with its valuation of Meyer Burger in the years following its share capital increase.

From the point of view of activist shareholders, the case of Meyer Burger proves that with persistent commitment and will to persevere success can indeed be achieved. From a financial point of view, the investment of Sentis will have to prove its worth over the coming years. As of January 2021, Sentis has recorded a clear loss. If one adds the considerable expenses on the part of Sentis, the investment can certainly be described as a bad investment over the research period.

With regard to the third research question, it can therefore be stated that no monetarily measurable added value could be generated for the shareholders of Meyer Burger through the activity of Sentis. Whether this will change in the future remains to be seen.

5.3.2. GAM

RBR stood out as a very strategic investor, which clearly falls into the pattern explained in Subsection 5.2.2. Their in-depth preparation in

advance of the investment allowed them to take concise and efficient activist steps.

The demands made by RBR at the general assembly 2017 were justified through their thorough due diligence and therefore carried weight. The extent of this justification is not part of the research question and will therefore not be examined in detail.

In contrast to the entire research period, GAM's share price performance is significantly positive in the section from the entry to the sale of RBR. The rise in share price can be attributed to the fact that RBR pointed out the company's problems in public and made suggestions as to how the company could be trimmed to higher performance. As the share price reflects future expectations for a company, the aforementioned implications caused the share price to rise steadily until the general assembly as investors counted on RBR causing positive impulses on GAM's return and cost structure. RBR used this situation to generate a considerable return on their investment.

The ironic fact is that within a short period of time, RBR has managed to achieve a gross return on its short-term investment of around 30%, with a company as its asset, which itself operates as an investment company.

RBR profited immensely from their due diligence. Whether they were interested in a long-term investment cannot be accurately evaluated as no evidence can be found for this intention. Compared to Sentis, RBR operated skillfully, with the strategy being aimed at short-term price gains.

With regard to the third research question, the activist activity of RBR failed to add long-term shareholder value.

5.3.3. Clariant

The activities of White Tale show various parallels to the GAM case, with a big difference being the activist investors already being involved with Clariant before their merger into White Tale.

The trigger for activist intervention in the Clariant case was not so much a prevailing precarious economic situation, but rather the threat of a merger with the Huntsman Group.

What ultimately triggered the sale of the share package by White Tale cannot be determined conclusively. There is the possibility of an increasingly large and ultimately too large conflict of objectives between investors and management, or the possibility of a good offer for the share package; after all, a return of over 20% had been achieved.

With regard to the third research question, it cannot be conclusively determined whether sustainable shareholder value was created through the activity of White Tale. The effect of preventing the merger is unclear; it could have had a positive or negative impact on the company. When taking a look at the share price over five years, no significant increase caused solely by shareholder activists can be recorded.

6. CONCLUSION

This study answers important and previously unanswered questions about shareholder activism in Swiss stock markets. We made contributions to

a better understanding of the areas of activity, the patterns of action, as well as the impact on shareholder value for the phenomenon of shareholder activism in Switzerland.

Our findings fortify us in our recommendation for Swiss public firms to be wary of shareholder activists, as they can have considerable influence on management and its decision-making. Modern corporate governance takes this threat into account and attempts to integrate efficient communication mechanisms into the company regulations.

Managing bodies, as well as the board of directors of listed companies, are well-advised in trying to conduct a constructive dialog with all investors and not ignore shareholder concerns and demands. If insufficient attention is paid to this circumstance, there is a risk of the conflict being

aired in public, in which case the company faces considerable reputational risks. This should be avoided in the interest of all stakeholders.

The findings of this study, however, are to be subjected to certain limitations. It is of note that the results are of limited validity, as only a small number of companies, solely of Swiss origin have been the subject of this study. International and even European validity cannot be implied.

In a further step, the results have to be solidified through qualitative or even quantitative studies with greater sample sizes. The exact implications of shareholder activism on share performance could as well be of interest for any further study on shareholder activism in a Swiss context.

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