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The ECCLblog

Social Media and Shareholder Activism

Posted on [May 8, 2014](#) by [Remus Valsan](#)

The marked increase of shareholder activism over the past years is a well-known and intensely scrutinised phenomenon. Between 2010 and 2013, for instance, activist shareholder interventions increased almost 90% globally.[1] The continuing disagreement among corporate governance scholars about the effects of shareholder activism is equally well-known. Its supporters argue that shareholder monitoring and interventions play a key role in policing managers and improving corporate performance.[2] Its opponents claim that a strong shareholder voice disrupts the board's main task of creating and implementing a long-term corporate business strategy.[3]

Activist shareholders use a variety of tools and channels to engage with the management and with their fellow share owners. Increasingly, they are turning to electronic platforms, such as Twitter, LinkedIn, YouTube, blogs or dedicated electronic forums. The particular appeal of these platforms is their real-time impact. They allow activists to participate in disputes or launch new causes almost instantly.

Twitter is one of the main social media channels for corporate communications by issuers and activist investors. And Carl Icahn, one of the wealthiest persons on Wall Street, is its most famous activist user. With over 160,000 followers gained in less than one year, Icahn has proven to be a master of social media. He openly declared at the outset his intention to use Twitter as a platform to get shareholders and lawmakers to understand "how really dysfunctional our corporate governance system is." [4]

His Twitter activity over the past year proves that he may be well on his way to achieve this goal. His first twitter campaign opposed a management buy-out of Dell Inc., led by CEO Michael Dell and his private equity partner, Silver Lake Partners. Icahn used Twitter to post updates of the battle and links to press releases and letters to Dell shareholders. Although Icahn was ultimately unsuccessful,[5] his Twitter campaign drew the attention of hoards of other investors. As a result, in August 2013, when he tweeted that he acquired a large stake in Apple Inc. because he believed the company was "extremely undervalued", the Apple stock jumped nearly 9 USD in less than 3 minutes.[6] By September 2013, the value was up 8.5%, adding nearly 36 billion USD in market value for the technology giant.[7] His next success was the appointment of two board members in Talisman Energy, a Canadian oil and gas company, without having to wage a proxy battle. In October 2013, Icahn announced via Twitter that he had purchased a stake in Talisman and that he "[m]ay have conversations with mgmt re strategic alternatives, board seats, etc." Two months later he tweeted that he was "[h]appy to have reached an agreement with Talisman Energy."

In addition to his Twitter account, Icahn uses his own web platform, [Shareholders' Square Table](#), to publish in-depth reports about his activist campaigns. According to its mission statement, Shareholders' Square Table "is a platform from which we can unite and fight for our rights as shareholders and steer towards the goal of real corporate democracy... [O]ur periodic posts will discuss what can be done to change our current, dysfunctional system of corporate governance." [8]

The now-defunct MoxyVote is another example of a dedicated shareholder activism website. Launched in 2009, MoxyVote was an electronic platform where small shareholders could gather to lobby or cast their votes electronically. The platform became very successful, drawing almost 200,000 users at its peak. Its users ranged from activist NGOs, such as [As You Sow](#), a CSR organisation focused on environmental and human rights issues, to large issuers, such as Johnson & Johnson. The platform was successfully used by small shareholders in On2

Technologies, a technology developer. Using MoxyVote, small On2 shareholders rallied together and rejected a takeover bid by Google in 2009. This caused the internet giant to improve its offer by nearly 25%.[9] MoxyVote was closed in 2012 due to fees and complex voting rules.[10]

YouTube is yet another example. In 2007, Eric Jackson, an individual shareholder of Yahoo, posted videos on [YouTube](#) to voice his disagreement with the company's business strategy. His videos drew the attention of other small shareholders and, ultimately, that of larger institutional investors. The collective effort led to the replacement of Yahoo's chief executive, Terry Semel.[11]

The real-time impact of digital media shareholder activism is facilitated by the growing reliance on such channels among investors. A recent Digital Engagement Study conducted by FTI Consulting Inc. showed that 80% of institutional investors believe that shareholder activists will increasingly turn to digital media to launch campaigns against target companies.[12] The same study reveals that the majority of institutional investors continue to rely heavily on traditional disclosure methods (such as filings with competent authorities or press releases), with only 14% looking for information directly on social media. Nevertheless, 40% of institutional investors use social media to seek information about companies via third-party influencers, such as sell-side analysts, proxy advisors or other institutional investors. Furthermore, investors find digital communications 13% more insightful and 11% more motivating than traditional disclosure methods.[13]

Interestingly, the growing direct and indirect reliance of institutional investors on social and digital media channels is not matched at the other side by a strong social media presence of issuers. A more recent FTI study [14] shows that almost half of FTSE 100 companies are not using Twitter regularly to communicate their latest financial results. The 2013 FTI study also shows that only 11% of the surveyed institutional investors were confident that their investee companies are adequately prepared to counter digital attacks by activists.

The gap between investors' growing appetite for social media and issuers' relative lack of enthusiasm for these platforms could raise corporate governance issues. Very few companies have dedicated adequate resources to communicate via electronic platforms with key stakeholders before they are influenced by activist investors. The daily management of social media is usually left to the corporate communications department, with little or no involvement from investor relations or other departments that are better equipped to make real-time decisions with potentially significant financial implications.[15]

Icahn's Twitter campaigns have shown that social media activism could put a target company on the spotlight almost instantaneously. This means intense scrutiny by a wide range of investors and stakeholders, looking at why the activist is targeting the company and what changes ought to be made. The management is placed under significant pressure to respond swiftly and to present its own view of the criticisms raised by activists. As Sandra Rubin, a Toronto-based strategic consultant highlighted, "it all comes down to a very important communications battle. Social media has become very, very important on that front." [16]

[1] Linklaters, "[Activist Investors Turn Up the Heat in Global Boardrooms](#)" News Release, 11 November 2013

[2] Lucian Bebchuk is one of the most prominent supporters of shareholder activism. He is the director of [Shareholder Rights Project](#), a clinical program run by Harvard Law School advising several institutional investors on a range of issues, including engagement with their portfolio companies.

[3] Martin Lipton, for example, a founding partner of [Wachtell, Lipton, Rosen & Katz](#) is an outspoken critic of shareholder activism.

[4] David Benoit "Carl Icahn Wants to Create Twitter Movement" Wall Street Journal, 9 September 2013

[5] Abram Brown "Icahn Admits Defeat And Calls Off Campaign To Stop Dell Buyout" Forbes, 9 September 2013

- [6] Philip Elmer-DeWitt, “Apple: The Carl Icahn Effect” CNN Money – Fortune, 13 August 2013
- [7] David Benoit “Carl Icahn Wants to Create Twitter Movement” Wall Street Journal, 9 September 2013
- [8] <http://www.shareholderssquaretable.com/mission-statement/>
- [9] Rhea Wessel “Activist Investors Turn to Social Media to Enlist Support” New York Times, 24 March 2011
- [10] Ross Kerber “Shareholder Website Closing, Cites Complex Voting Rules” Reuters, 10 July 2012
- [11] Mark Glaser, “How One Investor Used Social Media to Shake Up Yahoo” PBS Mediashift, 21 February 2008
- [12] FTI Consulting, “[Digital Engagement Study: Investor Views on Shareholder Activism](#)” 6 November 2013
- [13] Ibid.
- [14] FTI, “[A Social Divide in the City: Twitter for Financial Reporting Performance Index](#)” 4 February 2014
- [15] Lex Suvanto, Dan Webber and Gregory Marose “[Countering Shareholder Activism: The Digital Opportunity](#)” Edelman, 17 December 2013
- [16] Sandra Rubin “Shareholder Activism’s New Age” Lexpert, February 2014

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