

What Activist Shareholders Might Learn from Trump

The [Shareholder Activism Conference](#) was held Monday, November 14 at the Ritz in Toronto. From the founder's website: *Activist investing has become an acceptable means of expressing shareholder views and concerns...but the debate continues. Do shareholder activists add long-term value to the companies they target, or are their interests merely short term in nature? Are they a distraction from the day-to-day operations of the business, or will their involvement ultimately strengthen the corporate structure?*

Similar questions can be asked of the highest profile activist, Trump. He just won the most important shareholder meeting in the USA. He won the presidential election in most unpresidential fashion, by running a campaign fueled by invented facts, evasion, targeted insults, and drive-by smearings. And he won.

Such is the nature of "the great beast", what [Alexander Hamilton](#) called the electorate. Trump pandered to his target market extremely effectively. It will take years to determine whether he will add real value to the USA or will be seen by history as a mutant blip serving his own short term interests, just as it has taken until now for the consequences of [failed Reaganomics \(begun in 1981\)](#) to work their way through the system and fuel the current anger in Trump's supporters 35 years later.

But that's decades into the future. What's interesting is the lessons that might be learned from his campaign of fear.

We've been involved in roughly 16 episodes of heightened shareholder engagement over the past 4 years, whether involving public proxy battles, conflict-fueled boardroom

politics, or sincere earnest negotiations out of the public eye. We understand the need to play the long game, to act with dignity, to stay in compliance, and to always keep the best interests of the shareholders top of mind. The extremes of Trump's campaign didn't do those things, which leads to some interesting issues to consider:

- In any shareholder engagement, management is "The Man". Does this automatically create doubt in management's response, especially if it's a knee-jerk vanilla response? Or does having a history with the company put management two steps ahead before the race even starts?
- Does the length of management's and directors' tenure feed a public perception of service or of entrenchment? Hillary Clinton counted on her 30 years of public service as an asset – Trump's version of events turned that political experience into a liability for her.
- Is there a role for a "celebrity" activist? In a shareholder battle, rarely do we see non-business celebrities getting involved in the public debate. Should they? Is it different in Canada vs USA? Would it have an impact if Lebron agitated for changes in Disney's board of directors?
- Trump leveraged his personal brand. What is the effect of the activist becoming a celebrity? Think [Carl Icahn](#) and [Bill Ackman](#). Does their popularity hurt or help?
- Does flaming fact-free rhetoric by the activist gain more shareholder traction than reasoned argument by management? Clinton tried logic; that failed. Should management meet flaming rhetoric with rhetoric? How would that affect the general public's view of the company? Could there be an unexpected customer response?
- Libel laws seem to have been temporarily suspended during the presidential campaign. Are libel, slander and defamation useful tools by the activist or management, or are they only useful for padding the litigation lawyers' pockets? Is it the threat of those tools being

used that keeps people in check?

- Rural voters had goals / views / needs that were substantially different from urban voters. Is this the same as institutional against retail shareholders? Does an activist need to deliver different messages to each?
- A classically romantic story involving getting back to how things were in “the good old days” resonates with us, even [if the good old days weren't always good and tomorrow ain't as bad as it seems](#). Steve Jobs' return to Apple for the second time in 2003, getting paid \$1 a year until his death in 2011, was a heart-warming story, even if it happened during a time of board / shareholder conflict. Does this shape how the activist should build a team?
- A well-crafted narrative told over and over again can become the truth, even if it's not. As Jonathon Swift [wrote](#), “...the greatest Liar has his Believers; and it often happens, that if a Lie be believ'd only for an Hour, it has done its Work”. Trump was a triple gold medalist in this new sport, the MakeItUpAsYouGo. Many of his “facts” were simply untrue, but his supporters were more emotionally focused on their own problems and apparently didn't care about facts.
- Trump heard a call for “change”. Is change for change's sake a worthwhile goal? Should an activist have a complete plan to effect change, or is identifying the need enough to effect the change that is needed?
- The “great beast” is not always right. Will any member of the Electoral College vote against how the state went? Sometimes, for the long term good of the company, management and the board must do things the shareholders may not like.
- The pollsters missed Trump. Is shareholder feedback reliable? How much should you trust the data from the proxy advisory firms? Are they worth the amount of money they charge? Or is this a situation where you have to have one only so people won't ask why you didn't.

- Winning the battle is only half of the war. Trump now has to deliver on his extreme campaign promises. Is it fair to judge an activist group by what it does after the shareholder meeting is over?

if you want to follow up on anything from the conference, please contact Eric Salvarezza, the conference organizer, at eric@arrowconpartners.com.