Potential Activism and the Threat of Public Campaigns

Carmen Payne-Mann
University of Southern California
carmen.paynemann@marshall.usc.edu

Lorien Stice-Lawrence*
University of Southern California
sticelaw@usc.edu

Yu Ting Forester Wong
City University of Hong Kong
ytfwong@cityu.edu.hk

August 2025

Abstract

We explore an important but understudied governance mechanism: the threat of public campaigns. Unlike overt activism or the threat of exit, this strategy allows investors to influence firms without launching costly and confrontational public battles. We focus on investors who hold large ownership stakes (blockholders) and have a disproportionate ability to influence firms, introducing a new method to identify *Potentially Activist Stakes* based on blockholders' history of activism. We validate this classification by showing that *Potentially Activist Stakes* are more likely to evolve into overt activism and involve more direct interactions with management. Targeted firms exhibit outcomes—such as stock returns, executive turnover, and M&A activity—that fall between those of non-activist and overtly activist investments. However, these are not merely private campaigns that mirror the adversarial nature of their public counterparts. *Potentially Activist Stakes* are more likely to vote with management in proxy voting—behavior inconsistent with even mild forms of overt activism—reflecting a strategic, cooperative approach that leverages the credible threat of public action without necessarily invoking it.

Keywords: investor activism, corporate governance, public campaigns, voice, exit

** Corresponding author: 3660 Trousdale Pkwy ACC 308B, Los Angeles, CA 90089*

We would like to thank Patricia Dechow, Clive Lennox, K.R. Subramanyam, Regina Wittenberg Moerman, Maria Ogneva, Richard Sloan, Biwen Zhang (discussant), Caitlyn Witt, and workshop participants at the BYU Accounting Research Symposium, the Doctoral Student Faculty Interchange (DSFI) Conference, the McGill Accounting Research Conference, Monash University, the Ph.D. Accounting Workshop Series 2024, the University of Southern California, and Shanghai Jiao Tong University for helpful comments and suggestions. We thank Michael Park for his excellent research assistance. The interviews conducted as part of this study were determined to be exempt by the University of Southern California Institutional Review Board. The Internet Appendix can be found at https://tinyurl.com/PotentialActivism.

1. Introduction

A core governance challenge in public firms is the agency problem that arises from the separation of ownership and control: managers may pursue their own interests rather than those of shareholders. Blockholders, by virtue of their sizable ownership stakes, are well positioned to mitigate this problem. However, blockholders vary significantly in their incentives and investment philosophy, resulting in engagement styles that range from confrontational public campaigns, to private discussions about operations, to complete passivity. This variation raises a central question: which blockholders serve as effective monitors, and through what mechanisms?

To address this question, prior literature has often focused on confrontational blockholder engagement because it is the most visible and easily identifiable form of investor monitoring. Such engagement is typically identified through Schedule 13D filings—mandatory disclosures for blockholders who intend to influence a firm's control (i.e., to direct a firm's management or policies). Yet, 13Ds are rare, accounting for only 6% of blockholdings in our sample. The remaining 94% are disclosed via Schedule 13G, a shorter form available to blockholders without an intent to influence control. In practice, 13Ds are typically filed when blockholders pursue aggressive public activism, such as seeking board seats or majority ownership. Given 13Ds' association with confrontation—as well as the extensive disclosure requirements and heightened legal risks that come with them—many blockholders prefer to file 13Gs. This raises the question of whether non-control-seeking investors who file 13Gs also serve as effective monitors.

While some prior research has examined the monitoring effectiveness of 13G blockholders, the evidence is mixed: some studies find them to be effective, while others find the opposite (e.g., Clifford 2008; Edmans, Fang, and Zur 2013; Clifford and Lindsey 2016; Brav et al. 2018). These studies generally treat 13G blockholders as a single, homogenous group assumed to be non-activst

(passive), given their lack of a stated intent to influence firm control.[1] Under this assumption, 13G blockholders affect firms only through "exit"—i.e., selling shares in response to poor performance or governance, thereby "voting with their feet" (Edmans 2009; Edmans and Manso 2011; Hope, Wu, and Zhao 2017; David et al. 2022). In reality, 13G filers are far from homogeneous. Some have no interactions with firms and rely solely on exit, while others communicate privately with management to push for change behind the scenes (McCahery, Sautner, and Starks 2016). Pooling these distinct investors together risks misclassification, potentially explaining the mixed findings in prior literature and distorting inferences about the role of exit in corporate governance.

While 13Gs are typically linked with **exit**, 13Ds are generally associated with **voice**—investors expressing dissatisfaction with management's policies or decisions, often through public campaigns, shareholder proposals, proxy contests, or private communication (Edmans 2014; McCahery, Sautner, and Starks 2016). In this paper, we examine a third governance mechanism: the **threat of public campaigns**, which is the credible possibility that a blockholder will publicly voice dissatisfaction and launch a campaign against management.[2] This threat has been discussed within theoretical and normative frameworks as part of voice (e.g., Edmans 2014; Levit 2018), arguing that *threats alone* may discipline management even without public action. However, while these studies highlight threat's potential, they do not empirically test its effectiveness.

The threat of a public campaign offers key advantages over both public voice and exit. Public campaigns, especially those escalated to proxy fights, are costly and reputationally risky. For instance, Gantchev (2013) estimates proxy contests cost an average of $10.7 million, with no

[1] There is some confusion in terminology because in one context "passive" investments refer to those where investors do not engage in activist activities. In another context, it refers to investments by investors who do not actively manage their portfolios. To avoid confusion, throughout the rest of the paper we refer to the former type of passive investments as "non-activist".

[2] Campaigns against management have been defined as ranging from filing a 13D to engaging in proxy fights or actively attempting to oust management.

guarantee of success. In contrast, *threats* can exert pressure while being virtually costless. Exit, by comparison, requires selling enough shares to depress the stock price, indirectly punishing management through negative media attention or reduced stock-based compensation (Edmans 2009; Edmans and Manso 2011; Parrino, Sias, and Starks 2003; Edmans, Fang, and Zur 2013; Hope, Wu, and Zhao 2017). However, many blockholders (e.g., index funds) face selling constraints, and those who do not may suffer losses from the declines they trigger. In contrast, the threat of a public campaign targets management more directly and does not require divestment.

Despite the theoretical appeal and practical relevance of the threat of public campaigns, empirical evidence on its effectiveness remains limited—largely because it is difficult to identify which investments carry such a threat. To address this challenge, help explain the mixed evidence on 13G investor monitoring and re-examine the effectiveness of exit, we develop a method to classify 13G filings into two groups—*Potentially Activist Stakes* that carry the threat of public campaigns and *Non-Activist Stakes*. We create this distinction by leveraging a blockholder's history of activism. Specifically, we identify *Potentially Activist Stakes* as 13G holdings owned by blockholders who have filed a 13D related to *another* firm (i.e., engaged in public activism) at any time within the past three years.[3] From a rational manager's perspective, 13G stakes held by such investors represent a materially more credible threat of future activism than stakes held by blockholders with no record of public activism because investors holding these positions have shown that they have both the capacity and incentive to escalate from private, non-confrontational engagement to public activism if management proves unresponsive.[4] In contrast,

[3] Our results are robust to using alternative prior activism windows, including 1 to 10 years. We pick a shorter time window to capture campaigns that are relatively recent, and thus convey a credible threat. We also do so because to examine a consistent pre-period for all observations, without excluding too many from the beginning of our sample.

[4] The mere accumulation of a sizable stake by an investor with a known record of activism may exert disciplinary pressure on management through an implicit threat of future escalation. If implicit pressure fails, blockholders can escalate to explicit threats via private communications such as phone calls, meetings, or letters.

Non-Activist Stakes are 13G investments from blockholders with no public campaigns (13D filings) in the preceding three years. Without a recent history of public campaigns, these blockholders lack a credible threat of future public action against managers. All 13D blockholdings are classified as *Activist Stakes.* We identify public campaigns through 13D filings because they are widely recognized markers of public activism and are easily observable by managers.

We begin by validating that our classification of *Potentially Activist Stakes* captures both a **credible threat** and **actual investor engagement**. For these stakes to convey a credible threat, investors holding these positions should be more likely to initiate a public campaign against the firm in the future. Consistent with this, investors holding *Potentially Activist Stakes* are significantly more likely than those holding other 13G investments (*Non-Activist Stakes*) to switch to a 13D filing, indicating a greater propensity to escalate to public campaigns. Furthermore, if these investors are more likely to push for changes behind the scenes, they should also be more likely to engage directly with management. Using cellphone geolocation data, we find that investors with *Potentially Activist Stakes* conduct more site visits to investee headquarters than other 13G filers. Together, these results confirm that *Potentially Activist Stakes* represent a distinct subset of 13G blockholdings, characterized by both a higher likelihood of activism and deeper engagement with management.

In addition to capturing differences in observable behavior, our classifications also align with systematic differences in how investors describe their own activism strategies. Using ChatGPT to analyze investors' self-reported investment strategies posted on their websites, we find that *Potentially Activist Investors* (those who file both 13Ds and 13Gs) describe themselves differently than both *Purely Activist Investors* (who file 13Ds only) and *Purely Non-Activist*

Investors (who file 13Gs only).[5] Specifically, *Potentially Activist Investors* reference activism and active partnerships more than *Purely Non-Activist Investors*, but less than *Purely Activist Investors,* consistent with a strategy of "activism if necessary."

We next assess whether the presence of a *Potentially Activist Stake* represents a credible threat that compels management to pursue more value-enhancing activities, measured using stock returns. We find that *Potentially Activist Stakes* generate higher short- and long-run returns than other 13G filings (*Non-Activist Stakes)*, yet lower returns than openly *Activist Stakes* (13Ds). These results are consistent with the notion that the threat of public campaigns serves as a "middle path" for blockholders where the returns to this approach reflect the effort to credibly make threats of activism through greater engagement behind the scenes and occasional public activism while still being less costly than a purely activist approach.

We find further evidence of this "middle path" by showing that *Potentially Activist Stakes* are associated with less extreme versions of the typical outcomes tied to activist investments. First, we find that firms with *Potentially Activist Stakes* experience significantly higher rates of CEO turnover compared to those with blockholdings that are *Non-Activist Stakes*. However, these CEO turnover rates are lower than those occurring for firms with openly *Activist Stakes* (13Ds). While *Activist Stakes* are also associated with board member turnover, we find no such association for *Potentially Activist Stakes,* consistent with the fact that replacing board members requires a shareholder vote and is likely to fall under the type of activities that require a 13D filing. Second, prior research highlights that public campaigns can enhance M&A effectiveness, a phenomenon referred to as "activist M&A arbitrage" (Jiang, Li, and Mei 2019). We find evidence that firms

[5] *Potentially Activist Stakes* is calculated at the 13G filing level (i.e., investor-firm level). *Potentially Activist Investors* is an investor-level classification for those who file both 13Ds and 13Gs since activism strategies vary at the investor level.

with *Potentially Activist Stakes* are more likely to see subsequent M&A activity than *Non-Activist Stakes*, but this effect is an order of magnitude smaller than the impact of *Activist Stakes*.

We examine the mechanisms by which *Potentially Activist Stakes* are tied to firm outcomes by examining the voting behavior of investors holding these positions. If potential activists push for change through their votes (Brochet, Ferri and Miller 2021), we would expect them to vote *against* management recommendations. However, if they communicate and work with management behind the scenes to change policy before voting, then we would expect them to vote *with* management recommendations. Consistent with the second channel, we find that investors with *Potentially Activist Stakes* are *more* likely to vote in line with management recommendations than other 13G filers. This highlights a unique feature of the threat of public campaigns: collaborative engagement with firms. Investors holding purely *Non-Activist Stakes* have little power to push agendas because they cannot enforce their preferences through activism. Investors holding *Activist Stakes* likely have adversarial relationships with firms due to the public nature of 13D filings, making collaborative engagement less likely (Norton 2019).

We explore several alternative explanations for our results. We examine whether investors holding *Potentially Activist Stakes* have different skills, risk preferences, or stock-picking abilities by examining outcomes within only *Potentially Activist Investors* and examining within-investor variation. We also examine whether our results are driven by the threat of exit by testing how our results vary with liquidity. Overall, these factors do not appear to drive our results.

This study contributes to the blockholder governance literature in two ways. First, while prior research has theorized that the threat of public campaigns can discipline management (Edmans 2014; Levit 2018), empirical evidence remains limited. Some studies link non-activist (13G) investors with improved returns and governance (Clifford 2008; Edmans, Fang, and Zur

2013), but typically without identifying the mechanism or assuming the mechanism is exit. We provide the first large-sample evidence that these outcomes are instead driven by the **threat of public campaign**. Specifically, we show that the modest returns attributed to all 13G blockholders in prior literature are concentrated among those with ***Potentially Activist Stakes***. While Maffett, Nakhmurina, and Skinner (2022) examine cross-country differences in activism-friendly regulations to measure threats of activism at the country level, we focus on how investors deploy this threat at the firm level. This contribution is significant because, although public activist campaigns are rare, the *threat* of activism is widespread: over 30% of Schedule 13 filings—representing $4.6 trillion in holdings—fall into our *Potentially Activist Stakes* category, underscoring its importance as a governance channel.

Second, researchers lack an accessible method to identify *Potentially Activist Stakes* and often categorize all 13G stakes as a uniform group of non-activist blockholdings. However, survey evidence from McCahery, Sautner, and Starks (2016) demonstrates that members of this group vary in their activism. Our classification differentiates *Potentially Activist Stakes* from other 13G filings, helping to clarify mixed findings in prior work. For instance, Clifford (2008), Clifford and Lindsey (2016), Schmidt and Fahlenbrach (2017), and Heath, Macciocchi, Michaely, and Ringgenberg (2022) link rising passive ownership with weaker or no changes in governance, while Edmans, Fang, and Zur (2013), and Appel, Gormley, and Keim (2016), report the opposite. Clifford (2008) even reports mixed findings within the same study, suggesting that 13G filings see positive abnormal returns but worse post-investment firm performance. These mixed findings may be driven by a lack of distinction between *Potentially Activist Stakes* and *Non-Activist Stakes*.

Our study also contributes to the literature on private communication between blockholders and management. Nagar and Schoenfeld (2021) and Aiken and Lee (2020) assess the impact of

private interactions between 13D blockholders and management on firm outcomes and public activism efforts. We build on these studies by demonstrating that the threat of public campaigns—including, but not limited to, private communication—also occurs among 13G blockholdings. Investors holding these stakes, which represent over 94% of all blockholdings, have traditionally been viewed as a homogeneous set of passive investors. Our findings suggest otherwise. Another concurrent study, Kirmse (2024), finds that hedge funds' EDGAR clicks are associated with positive governance outcomes. The author attributes this to private communications between hedge funds and management. An alternative interpretation of Kirmse's findings is that the mere threat of activism, which is likely to be associated with hedge funds' research via EDGAR, is impactful.

Last, our measure offers a replicable approach to study the threat of public campaigns posed by *all* 13G blockholders, moving beyond just 13Ds filed by hedge funds, which has been the focus of much of the prior work in this area (Brav, Jiang, Partnoy, and Thomas 2008; Clifford 2008; Cheng et al. 2012; Edmans, Fang, and Zur 2013; Brav, Jiang, Ma, and Tian 2018; deHaan, Larcker, and McClure, 2019; Aiken and Lee 2020; Wong 2020; Deb et al. 2024; Kirmse 2024). This is especially important given evidence that most openly activist 13D filers are not hedge funds (von Lilienfeld-Toal and Schnitzler, 2020), that non-hedge-fund activists also create firm value (Klein and Zur 2009; Clifford and Lindsey 2016), and that hedge funds constitute less than 10% of all investment advisors.[6] Informal conversations with portfolio managers further suggest our classification better reflects how executives perceive blockholders with a history of 13Ds in practice. Portfolio managers are highly cautious about triggering a 13D, as it alters how

[6] In the February 2025 data pertaining to Form ADV, which is required of all investment advisors, there were 15,963 total registrants. Of those, only 965 (6%) indicated that they had at least one hedge fund, charged a performance or management fee, and managed investments from high-net-worth or institutional investor clients (SEC, 2012).

management views the investor and often prompts executives to withhold information or take defensive actions (Bourveau and Schoenfeld 2017).

Our evidence is timely given the SEC's new guidance requiring investors to file a Schedule 13D when they pressure management by *threatening* to withhold voting support in director elections (SEC, 2025). Consistent with the SEC's rationale for this change, we find that roughly one-third of 13Gs in our sample represent *Potentially Activist Stakes,* suggesting that the threat of activism is widespread and that many investors previously classified as non-activist under 13G may, in practice, resemble 13D filers. While this change closes a disclosure gap by making certain threats of activism public, it also groups *Potentially Activist Stakes* with openly *Activist Stakes*, blurring the distinction between threats and overt public activism. Looking ahead, this policy could affect a substantial share of investor-firm interactions—either by prompting investors to adjust their strategies to avoid disclosure or, less likely, pushing them to adopt a more openly activist stance—changes that could have meaningful implications for governance and firm outcomes.

2. Regulatory Background and Motivation

2.1 Regulatory Background

This section provides an overview of the institutional background of 13D and 13G filings. Prior literature has used these regulatory classifications to differentiate between investors who engage in various strategies to exert governance over firms. Specifically, 13D filers are typically viewed as activist blockholders, while 13G filers are considered passive (non-activist) blockholders (Clifford 2008; Klein and Zur 2009; Edmans, Fang, and Zur 2013; Aiken and Lee 2020; Kirmse 2022).

SEC filings 13D and 13G are designed to inform the public about significant stock purchases that could potentially lead to changes in the control of a company. Any investor who

acquires 5% or more of a company's shares is required to file either a 13D or 13G to disclose their blockholding. The key distinction between the two filings lies in the investor's intent. A 13D filing is required when an investor aims to influence the control of a firm—such as by acquiring a majority of shares, appointing a member to the board, changing management, or directing actions requiring shareholder approval (e.g., changes to payout policies or merger bids)(CFR § 240.13d-1(a)).[7] For activists seeking to launch a public campaign against management, the 13D filing serves not only as a regulatory requirement but also as a key platform for disseminating their message. Since 13D filings are frequently monitored by data vendors, news outlets, and investors, they effectively act as a de facto venue for announcing the activist's campaign. In contrast, an investor who does not intend to exert control over the company can file a 13G (17 CFR § 240.13d-1(b)(1)). Appendix B provides additional detail on these two filings. When possible, investors typically prefer to file a 13G for several reasons.

First, filing a 13G is significantly less costly to prepare because it requires only basic information such as the investor's identifying information and number of shares acquired. Investors filing 13Ds must provide detailed information about their trading activities leading up to the filing, the sources of funds used for the purchase (e.g., personal funds, loans, etc.), any agreements with other shareholders or parties, voting arrangements, and intentions regarding changes to the board or company strategy. For reference, a typical 13D filing is between 5 to 20

[7] Under the Securities Exchange Act of 1934 Section 12(b)-2, the term "control" means the direct or indirect power to direct or cause the direction of the management and policies of a company. Several legal cases have provided further insight into the definition of control specifically relating to Section 13(d). First, the ruling in *Wellman v. Dickinson* (1979) suggests that factors like plans for a proxy fight, intent to acquire additional shares, or participation in management decisions could indicate an intent to control. In *Schaffer v. CC Investments, LDC* (2002) the court emphasized that intentions to control do not need to be explicit or formalized; indirect actions that reflect an attempt to direct company policies or decision-making, such as seeking board representation and engaging with management about the company's strategic direction, can also trigger 13D filing requirements. Last, in *Rosen v. Brookhaven Capital Management Co., Ltd.* (2003) the court found that the definition of control could include a pattern of conduct that led to influence over key corporate decisions through persistent engagement with management.

pages long, whereas a 13G filing is typically only 1 to 3 pages long. Furthermore, a 13D must be filed and amended more quickly in response to meeting the 5% ownership threshold (within 10 days) or at the time of any other ownership changes, whereas 13G filings and amendments are typically only due within 45 days after the end of the calendar year in which the change occurred.

Next, the detailed disclosure required in a 13D could increase the risk of litigation for the blockholder, as it provides a more extensive record of their actions and intentions. Further, the greater timeliness of the 13D might make it easier for other investors to front-run any remaining trades (SEC 2023). Finally, the 13D filing is often seen as the starting point of a public campaign. For *Potentially Activist* positions, filing a 13D limits the leverage of the investor's *threat* to initiate a public campaign as the filing makes their intentions public and escalates tensions with management. Thus, for investors who wish to retain the option to take their concerns public later, the 13G is generally the preferred option.

2.2 Voice, Exit, and Threats

Blockholders, or large shareholders, play a pivotal role in governance because their substantial stakes can help overcome the free rider problem (Shleifer and Vishny, 1986). Prior literature has examined whether institutional investors monitor firms for which they hold large stakes by examining how the presence of these investors changes a firm's governance and other outcomes. These papers find that institutional investor holdings are associated with improved R&D spending (Bushee 1998), decreased discretion in financial reporting (Ayers, Ramalingegowda, and Yeung 2011), improved acquisition decisions (Chen, Harford, and Li 2007), decreased earnings management (Kim et al. 2016), greater success in the activist campaigns of other investors (Appel, Gormley, and Klein 2019), greater director oversight (Liu, Low, Masulis, and Zhang 2020), and increased discipline over management (Iliev, Kalodimos, and Lowry 2021).

Other literature goes one step further and highlights that investors can exercise influence through two primary mechanisms: "voice" and "exit." Voice refers to active intervention with management and has been defined as activities ranging from private communication (Aiken and Lee 2020), voting against management (Crane, Koch, and Michenaud 2019; Brochet, Ferri, and Miller 2021), and public campaigns (Helwege, Intintoli and Zhang 2012). Exit is the action of investors selling their shares if they are unhappy with management, driving the share price down and potentially stirring a negative media response, and even the *threat* of exit can be an effective governance mechanism (Admati and Pfleiderer 2009; Edmans and Manso 2011; McCahery, Sautner, and Starks 2016; David et al. 2022). Investors who rely on the threat of exit with or without private communication are typically referred to as non-activist (or passive) investors.[8]

Our study is most related to the literature examining the effects of voice, with much of the prior work focusing on actions taken by investors to express dissatisfaction and push for change through public campaigns ("public voice"). This research typically relies on SEC blockholder filings to classify governance roles. Blockholders who file a 13D and declare an intent to influence control are categorized as activists (those exercising public voice), while those who file a 13G are often assumed to be non-activists and treated as a homogeneous group (e.g., Clifford 2008; Edmans, Fang, and Zur 2013; Clifford and Lindsey 2016; Brav et al. 2018; Albuquerque, Fos, and Schroth 2022).[9] While these prior studies highlight the potential benefits of public campaigns, they

[8] Blockholders do not need to explicitly communicate with a firm to use the threat of exit. An example of implicit threat of exit would be if management knew that dropping below certain performance thresholds would lead indexers to drop the firm. Palmiter (2002) discusses how blockholders seeking to intervene in firm decisions can explicitly threaten to exit the firm to influence management decisions.

[9] This prior literature often focuses on activist hedge funds because they have different incentives than other investors. They have fewer regulatory requirements and generally have positions in fewer firms but with large stakes, which could lead them to be better monitors than other investors (Brav et al. 2008). Our paper focuses more broadly on all institutional investors because non-hedge-fund investors frequently engage in public activism (up to two thirds of 13Ds are filed by non-hedge-funds) and their activism leads to similar firm outcomes as that by hedge funds (Klein and Zur 2009; von Lilienfeld-Toal and Schnitzler 2020). Given that non-hedge fund investors have significant levels of public activism, we believe they are likely to also use the *threat* of activism.

do not provide evidence on the advantages of the *threat* of these campaigns. An analytical model by Levit (2018) suggests that the threat of public activism can be an effective governance tool, but empirical evidence of this threat is relatively scarce. Maffett, Nakhmurina, and Skinner (2022) examine cross-country threats of activism based on country-level changes in regulation. Bourveau and Schonfeld (2017) use recent activist campaigns against peer firms to proxy for a firm-level measure of the threat of activism. Edmans, Fang, and Zur (2013) examine the threat of activism but focus solely on 13D investors who have already expressed an activist intent through the presence of the 13D filing itself. Fos (2017) identifies the threat of public activism by studying the type of *firm* that is likely to be subject to activism. Kirmse (2024) measures EDGAR downloads by hedge funds as a proxy for private communication (we believe this may also capture the threat of activism). Our study aims to broaden our understanding of the threat of activism by studying a group of investments where potential activism has been previously overlooked: 13G holdings. By focusing on this set of *Potentially Activist* stakes, we can provide granular evidence on how they affect firms at the investor-filing level.

3.0 Hypothesis Development and Empirical Measure for Potentially Activist Stakes

3.1 Hypothesis Development

We hypothesize that a substantial portion of 13G blockholdings that were previously classified as "non-activist" should instead be considered *Potentially Activist Stakes*. These *Potentially Activist Stakes* pose a credible threat to management, which can serve as an effective mechanism to address management misbehavior (e.g., Edmans 2014; Levit 2018). The rationale is that investors holdings *Potentially Activist Stakes* have both the capacity and the incentive to shift from passive to active engagement, including launching public campaigns against management

when dissatisfied. We define this capacity as the threat of public campaigns—the possibility that an investor may publicly express dissatisfaction and initiate actions against management.

We hypothesize that the effectiveness of the threat of public campaigns lies somewhere between the effectiveness of actual public campaigns and the alternative strategy of exit (non-activist or passive ownership). Specifically, we expect it to be less effective than public campaigns because public campaigns garner significant attention from shareholders, media, and stakeholders, amplifying pressure on management. However, the threat of a public campaign may be a preferred initial approach because it is far less costly (Gantchev 2013; Lowry 2022). [10]

We further posit that the threat of public campaigns is more effective than an exit strategy at motivating firms to make the changes desired by shareholders. The exit approach relies on blockholders selling enough shares to depress the stock price, penalizing management indirectly. While the *threat* of exit can incentivize managers to maximize value preemptively, many blockholders—such as index funds—face investment mandates that restrict their ability to sell specific shares. Even for blockholders who can sell, exit is often impractical for illiquid stocks, where large sales cause significant price drops, leading to immediate financial losses for the seller. Moreover, the punitive effects of exit on management are indirect, typically realized through secondary outcomes like negative media coverage or reduced stock-based compensation (e.g., Edmans 2009; Edmans and Manso 2011; Parrino, Sias and Starks 2003; Edmans, Fang, and Zur 2013). For highly liquid stocks, blockholders may exit with minimal financial loss, but the reduced price impact limits the punishment for management. In contrast, the threat of public campaigns allows blockholders to retain their investment and provides flexibility to escalate to a full public

[10] Gantchev (2013) describes investor monitoring as a "sequence of escalating decision steps, in which an activist choose[s] a more hostile tactic only after less confrontational approaches have failed," and for which the benefits of increased confrontation outweigh the costs. This is supported by survey evidence suggesting that 64% of institutional investors consider uncooperative management to be a trigger for greater activism (McCahery, Sautner, & Starks 2016).

campaign if necessary. This dual capability enables blockholders to maintain leverage over management, increasing the likelihood of achieving desired changes without incurring the high costs of immediate public action.

3.2 Empirical Measure for *Potentially Activist Stakes*

Operationally, we identify a *Potentially Activist Stake* at the filing level as a current 13G filed by a blockholder who has filed a 13D related to *another* firm (i.e., engaged in public activism) at any time within the past three years (i.e., the investor is a *Potentially Activist Investor).* Although they currently describe their investment as having a non-activist intention, the past behavior of this *Potentially Activist Investor* signals a general willingness to engage in activism and, thus, presents a credible threat of additional future public campaigns. In contrast, *Non-Activist Stakes* are 13Gs filed by investors with no public campaigns (13Ds) in the preceding three years (*Purely Non-Activist Investors)*. Without a recent history of public campaigns, *Purely Non-Activist Investors* lack an implicit threat of public action against managers; even if they were to privately convey an intent to launch a public campaign, managers might view their threats as less credible. All 13D investments are classified as *Activist Stakes* regardless of whether they are filed by *Potentially Activist Investors* or *Purely Activist Investors*, because the filing of the 13D is a public signal of an activist intent.

To improve clarity in the definition of our variables, Appendix A clearly delineates variables that are defined at the filing level versus those that are defined at the investor level. *Potentially Activist Stakes*, *Non-Activist Stakes,* and *Activist Stakes* are filing-level classifications defined for an investor-firm pair (i.e., for a given investment). This means that they can vary within investor both within and across time. *Potentially Activist Investors, Purely Non-Activist Investors,* and *Purely Activist Investors* are investor-year-level variables. These variables identify investors

that have had a mix of both 13D and 13G investments, only 13G investments, or only 13D investments in the past 3 years, respectively. Therefore, *Potentially Activist Stakes* are the 13G holdings of *Potentially Activist Investors*.

We identify public campaigns through 13D filings because they are widely recognized markers of public activism and are easily observable by managers. Anecdotal evidence supports the notion that investors are aware of this distinction, with blockholders having a record of 13D filings perceived as posing a clear and credible threat of public campaigns. One portfolio manager that we interviewed said that their fund is careful to avoid any actions that would require filing a 13D because they expect that management of their current and future holdings would interact with them differently if they showed a propensity for activism. Figure 1 outlines each type of investment discussed here as well as the tools used for each type of investment to influence firm governance and operations. This figure highlights the escalating nature of activism (Gantchev 2013) ranging from *Non-Activist Stakes* that rely solely on exit and private communication to *Activist* investments, that rely on the threat of and actual public campaigns. In this spectrum, *Potentially Activist Stakes* lie in the middle. Notably, private communication is a channel that can be used by investors with any type of investment, even if they have no activist intent. The investors that we spoke with indicated that privately communicating with management is an important part of their investment strategy, even when they have no intention of engaging in or threatening activism. This is consistent with recent survey evidence (McCahery, Sautner, and Starks 2016). As a result, the threat of public campaigns goes beyond simply communicating with management and involves the next step of credible potential activism.

3.3 Real World Example

An anecdotal example of the threat of public campaigns can be seen in Carl Icahn's investment in Dana Holding Corporation. Icahn first acquired a stake in Dana Holding on January 25, 2021, and filed the required 13G on February 4, 2021. After a year, Icahn filed a 13D, and two Icahn Capital portfolio managers were appointed to Dana Holding's board. The press release announcing the board nominations included the following quote, which stated:

> "*Since our initial investment in Dana over a year ago, we have had productive conversations* with Jim and recognize the progress the company has made, even in the face of the current operating challenges." – Carl Icahn (Dana 2022, emphasis added).

This quote provides language suggesting private communication about the direction of the firm over the previous year between Icahn and management. Further, given Icahn's activist past, it is likely that management perceived a high probability that Icahn would begin a public campaign. As a result, the original 13G filing is likely to have been viewed as an implicit threat of activism. His ability to convince Dana Holding's management to work directly with him shows that management was likely responding to that threat (whether explicit or implicit), which was eventually realized when Icahn appointed two seats on the board.

4.0 Data and Sample Selection

We collect Schedule 13D and 13G filings from EDGAR from 1995 to the third quarter of 2022. The full sample includes 604,884 and 185,011 13G and 13D filings, respectively. Filings are scraped for necessary information. As shown in Table 1, we then drop those filings that are missing either the investor or firm CIK, cannot be linked to an investor ADV or 13F filing, are not the first filing in an investor-firm pair, involve a firm with a 13D filing by a different investor in

the 30 days leading up to a 13G filing, or cannot be linked to required control variables.[11, 12] After doing so, we are left with 111,914 and 7,552 13G and 13D filings, respectively.[13] Investor classifications are created before dropping filings that may affect the classifications.

Additionally, we collect market data from CRSP, accounting data from Compustat, 13F filings from EDGAR, Bushee (2001) investor classification data, manager and board data from Boardex, M&A data from Audit Analytics, investor site visit data from SafeGraph's Neighborhood Patterns dataset, mutual fund voting data from Institutional Shareholder Services (ISS) Voting Analytics, and investor strategy disclosures from investor websites.

For the SafeGraph site visit data, further sample restrictions are required. First, we require that both firm and investor addresses are available and located in the United States. We then stop the sample in February 2020 due to the COVID-19 pandemic's effect on travel. Further, we drop any filings where the investor and firm address cannot both be matched to a U.S. Census block group, where there are multiple investors in the same census block group, where the same investor has positions in multiple firms that are located in the same census block group but are of different types (i.e., both 13G and 13D), and where the investor or firm changes addresses during the sample period. Finally, to remove noise due to census blocks being in close proximity and in high-density areas, we drop any filings where the visits between investor and firm census block groups are above the 99th percentile of total visits for all census block groups. This leaves only 4,063 13G filings. Further sample details are available in Table 1.

[11] The first filing in an investor-firm pair includes not only the first filing ever in the pair but also "comeback filings." Comeback filings are 13D or 13G filings where an investor who held at least a 5% ownership stake sold that stake to below 5% and then subsequently reinvested in the firm to above 5% ownership.

[12] We drop cases with a 13D filing in the prior 30 days to exclude cases of "wolf pack" activism from our sample whereby multiple investors coordinate and act collectively (Wong, 2020).

[13] The main thing leading to greater attrition rates for 13Ds relative to 13Gs is that 13Ds have a higher rate of amendments. 13D filers are required to file amendments for each 1% change in holdings while 13G filers only make amendments for each 5% change in holdings.

5.0 Results

5.1 Descriptive Evidence

Table 2 provides descriptive statistics for our sample at the filing level. Panel A presents these statistics for the entire sample while Panel B compares differences in summary statistics among our three groups. Results in Table 2 Panel A suggest that only 6.3% of filings in our sample are classified as *Activist Stakes* (13D) while 31.3% are *Potentially Activist Stakes.* This suggests that while overt activism is rare, potential behind-the-scenes activism is relatively common, indicating significant heterogeneity within the 93.7% of all blockholdings that are filed with 13Gs and typically treated as uniformly non-activist. Further, Table 2 Panel B provides univariate evidence suggesting that *Potentially Activist Stakes* and *Non-Activist Stakes* are significantly different from one another both in terms of future firm outcomes and investor characteristics, such as their propensity to switch to 13D filings (3.5% vs 0.9%) and the percent of investment advisors (48% vs 63%). We will explore these outcomes in more detail in subsequent multivariate analyses. The large number of significant univariate differences between *Potentially Activist Stakes* and *Non-Activist Stakes* is the first evidence to suggest that there is significant variation within 13G filings.

Before examining differences in the behavior of investors holding *Potentially Activist Stakes* and *Non-Activist Stakes*, we examine how our investor groups compare to another popular method of classifying investors: the Bushee (2001) institutional investor classifications. We predict that our classifications will provide different insights than the Bushee classifications because ours are based on how an investor interacts with management (activism) while Bushee's are based on how long investors hold their positions (how actively they manage their portfolios). Conceptually, activism and portfolio management style are unique investor attributes.

Figure 2 provides pie charts showing the proportion of investors in each of our categories that belong to each of the Bushee classifications (*Quasi-Indexers, Transient,* and *Dedicated*). Because the Bushee classifications are defined at the investor-year level, this figure focuses on our investor-level classifications rather than our filing-level classifications. We identify investors that are *Purely Non-Activist Investors* (file only 13Gs), *Purely Activist Investors* (file only 13Ds), and *Potentially Activist Investors* (file both 13Gs and 13Ds), where *Potentially Activist Stakes* are 13G filings made by *Potentially Activist Investors.*

Each of our investor groups shows large variation in Bushee classifications, suggesting that our classifications capture a unique investor characteristic. Although the *Purely Non-Activist Investors* contain a significantly higher proportion of Bushee quasi-indexers than the other groups, roughly a third of *Potentially Activist Investors* and *Purely Activist Investors* are also quasi-indexers. Further, the proportion of transient investors is almost identical across all groups. These results suggest that the Bushee classifications capture a different aspect of investor strategy and are not a substitute for our proposed investor activism groups.

5.2 Validation Tests for *Potentially Activist* Investment Classification

In this subsection, we introduce three tests to validate that our *Potentially Activist Stakes* classification effectively captures the threat of a public campaign against management. The first validation test is based on the premise that in order for an investor's threat of a public campaign for a *Potentially Activist Stake* to be credible, these stakes should have a higher likelihood of subsequently being converted into public campaigns. To test this, we analyze the probability that an investor will switch their 13G filing to a 13D filing (*Switch)*. Specifically, we estimate the following model:

$$Switch = \alpha + \beta_1 Potentially\ Activist\ Stakes + Controls + Fixed\ Effects \qquad (1)$$

This model includes only 13G filings (*Non-Activist Stakes* and *Potentially Activist Stakes)*. If holders of *Potentially Activist Stakes* are more likely to initiate public campaigns in the future relative to other 13G filers, then β_1 should be positive. We control for firm characteristics including the market to book ratio (*MTB*), size of the firm (*Size*), leverage (*Leverage*), and profitability (*ROA*). We also control for blockholder characteristics including the size of the blockholding (*%Holding*) and blockholder type, as indicated in the Schedule 13 filing (*Investment Advisor, Holding, Individual, Partnership, Bank, Broker* and *Other)*. Column (1) includes no fixed effects, Column (2) includes year fixed effects, Column (3) includes year and industry fixed effects, and Column (4) includes year and firm fixed effects. All standard errors are clustered by firm.

In Table 3 Panel A, the coefficient for *Potentially Activist Stakes* is positive and significant at the 1% level across all four columns. This suggests that holders of *Potentially Activist Stakes* are more likely to launch public campaigns than other 13G blockholders, and a rational manager would view them as posing a greater threat of activism. The control variables provide several key insights. While blockholder type does play a role—investment advisors and individuals are more likely to switch to 13Ds whereas banks are less inclined to take an activist stance—our *Potentially Activist Stakes* measure still significantly predicts switching even after controlling for blockholder type. This suggests that blockholder type alone is insufficient to fully capture the likelihood of a public campaign, and our measure offers additional, nuanced information. In addition, firm size shows a negative and significant relationship with the likelihood of switching to a 13D, suggesting that blockholders are less likely to "go public" against larger firms, possibly due to the higher costs associated with launching campaigns against large companies.[14]

[14] Although *Potentially Activist* stakes are more likely to switch to 13D filings, results in the Internet Appendix show that our results throughout the rest of the paper are substantially unchanged when excluding switchers.

The second validation test is based on the idea that investors with *Potentially Activist Stakes* are likely to engage more frequently with management. These investors are likely to desire more changes by management, which they may attempt to implement through activism if necessary. To communicate their preferences (and, potentially, threats), blockholders may be more likely to speak with management over the phone, via e-mail, or through in-person visits. Although phone calls and e-mails are unobservable, we create a rough measure of the frequency of site visits using SafeGraph data, which tracks cell phone geolocation data. This data provides the number of cell phone signals detected in a particular census block, along with the home census block of each device (determined by where the device spends the majority of working hours). We define the number of monthly site visits, *Ln(Site_Visits),* from a particular investor as the natural log of the number of cell phone signals detected in the company's headquarters census block that originate from the investor's office census block. Because of data limitations (see Table 1), we are only able to calculate this variable for *Non-Activist Stakes* and *Potentially Activist Stakes.* As a result, Table 3 Panel B presents the results of the following model examining whether investors with *Potentially Activist Stakes* are more likely to visit the firms in which they invest relative to other 13G blockholders in the months surrounding the 13G filing:

$$Ln(Site\_Visits) = \alpha + \beta_1 Potentially\ Activist\ Stakes + Controls + Fixed\ Effects \quad (2)$$

In addition to controlling for firm and blockholder characteristics, we also control for the distance between the blockholder and the firm (*Distance*) and the total number of visits that the firm's headquarter census block received in the current month (*Total Visits*). We examine multiple windows surrounding the date that triggered the 13G filings ranging from 6 months before the filing to 1 year after.[15] The coefficient for *Potentially Activist Stakes* is significantly positive in all

[15] The 13G filing is triggered on the day when the investor's holdings reach 5% of the firm's total outstanding shares.

seven columns, suggesting that investors with *Potentially Activist Stakes* are significantly more likely to engage with management than other 13G filers. This finding provides support that significant heterogeneity exists within 13G filers in how they interact with firms and suggests that investors may be more likely to explicitly communicate their threat to management through their increased interactions when they have *Potentially Activist Stakes*.

Last, we support our measure of potential activism using investors' self-disclosed strategies as provided on their websites. As with the analysis of the Bushee classification information, the data for this analysis is aggregated at the investor (rather than the filing) level. We searched online to find the public-facing websites of all investors in our sample and manually extracted investors' self-reported strategies. These strategy descriptions are typically presented prominently on the website under headings such as "Investment Philosophy," "Investment Approach," "Strategy," or "About Us." We identified 2,235 strategy descriptions for investors in our sample. We read a sample of 136 descriptions and manually categorized them based on the level and type of investor/firm engagement described: "No Discussion of Engagement Strategy (default)," investors who provide no explicit discussion of their engagement strategy ; "Communication," investors that just describe communicating with management of the firms in which they invest; "Partnership," investors that describe partnering with management of the companies in which they invest through frequent and constructive engagement; "Mix of Activism and Other," investors that describe public activism as one of several strategies they engage in; and "Activism," investors that explicitly refer to activism as their main strategy or describe clearly activist activities as part of their strategy.[16]

[16] We also defined another category: Explicit Non-Engagement, where investors explicitly say that they do not communicate or engage with management in any way. We did not identify any investors who explicitly outlined this choice. As a result, investors following this non-engagement strategy would fall under the category of "No Discussion of Engagement Strategy," along with all other investors who choose not to describe their engagement strategy on their website. This non-disclosure is a source of noise in these classifications.

We are interested in identifying the extent to which investors explicitly describe their strategies as activist or describe other types of engagement that may accompany or precede public activism.

After manually classifying the sample of 136 descriptions, we provided detailed instructions (but not the manual classifications) to ChatGPT via the API and had it categorize all the descriptions. The classifications provided by ChatGPT were the same as those that we manually assigned in 93% of cases. In most cases of disagreement, the correct classification was ambiguous. As a result, we have a high degree of confidence that the classifications assigned by ChatGPT are consistent with those that would be assigned by a reasonable person. We provide more details about this process in the Internet Appendix.

Figure 3 presents three pie charts showing the proportion of *Purely Activist Investors, Purely Non-Activist Investors,* and *Potentially Activist Investors* that described their strategies in a manner consistent with our five classifications. The results are visually striking and show a clear progression from a small number (less than 20%) of *Purely Non-Activist Investors* who describe communicating and partnering with firms to nearly 50% of *Purely Activist Investors* who describe engaging in all four types of engagement. As we would predict, *Potentially Activist Investors* fall between these two extremes, with 32% describing engaging with firms in some form, and 6% explicitly discussing engaging in activism sometimes or always. Although *Purely Non-Activist Investors* and *Potentially Activist Investors* both file 13Gs, they clearly describe themselves as following different overall investment strategies. Whether they convey the potential for activism explicitly or firms simply observe their past behavior and strategy descriptions, we believe it is clear that *Potentially Activist Investors* follow a different strategy than *Purely Non-Activist Investors* and pose a clear threat of public activism when they take 13G stakes in the firms in which they invest.

5.3 Short and Long-Run Returns

In the following section, we examine whether the threat of a public campaign posed by *Potentially Activist Stakes* motivates management to engage in more value-enhancing activities. We assess value creation by analyzing short- and long-run returns following the initial Schedule 13G or 13D filing. We anticipate that returns for *Potentially Activist Stakes* will reflect the effort needed to maintain this level of influence. Specifically, we expect returns for *Potentially Activist Stakes* to be higher than those for *Non-Activist Stakes,* although both are tied to 13G filings, because investors holding *Potentially Activist Stakes* are more likely to push firms to make value-enhancing improvements. However, their returns are likely lower than those generated for *Activist Stakes* through costly public campaigns.

First, we expect that *Potentially Activist Stakes* will be associated with higher short-term returns around the filing date of the Schedule 13 filing if the rest of the market anticipates that investors holding these stakes will push for more value-enhancing changes than investors holding *Non-Activist Stakes*.

$$CAR = \alpha + \beta_1 Potentially\ Activist\ Stakes + \beta_2 Activist\ Stakes + Controls + Fixed\ Effects \quad (3)$$

We use two event windows: (-1, +1) and (-30, +10) surrounding the filing date of the respective 13G or 13D. Cumulative abnormal returns (*CAR*) are estimated using the Fama-French-Four-Factor model following Carhart (1997). In Table 4, Panel A, we find positive and significant coefficients for *Potentially Activist Stakes* across both windows, indicating that they generate higher short-run returns than *Non-Activist Stakes* (the omitted category). However, these coefficients are notably lower than those for *Activist Stakes*, suggesting that while the returns for *Potentially Activist Stakes* are higher than those for purely *Non-Activist Stakes*, they do not reach the levels associated with formal public campaigns.

To analyze the long-term returns to investment, we consider two additional windows: (-30 days, +3 months) and (-30 days, +2 years) surrounding the original date of the 5% investment.[17] The buy-and-hold returns are calculated separately for each portfolio and are adjusted using the Fama-French-Four-Factor model following Carhart (1997). In line with the short-term results, Table 4, Panel B shows that *Potentially Activist Stakes* achieve long-run abnormal returns of 1.2% over a 3-month window and 3% over a 2-year window. These returns are significantly higher than those of *Non-Activist Stakes*, which experience abnormal returns insignificantly different from zero. However, they are notably lower than the returns generated by public activist campaigns, which yield 7.7% over a 3-month window and 23.1% over a 2-year window.[18]

These findings suggest that the threat of a public campaign can be an effective governance tool, motivating management to undertake more value-enhancing activities that ultimately generate abnormal returns for blockholders. This strategy offers blockholders a strategic "middle ground," providing a governance mechanism that is more impactful than purely non-activist ownership but less costly than launching a public campaign, with returns that position it between these two approaches.

5.4 Types of Governance Changes

In this sub-section, we explore the types of governance changes that occur within firms with *Potentially Activist Stakes*. Given the central role of the CEO and the board of directors in modern corporations, we examine whether the presence of *Potentially Activist Stakes* are associated with an increased likelihood of CEO or board member turnover (*CEO, Board*)

[17] Panel A examines short-term returns around the filing date because we are interested in the market returns to the filing itself. Panel B examines long-run returns following the date of the initial investment (the date on which the investor hit the 5% ownership threshold) because we are interested in the returns to the investor's investment.
[18] In the Internet Appendix, we also report long-run returns using the approach from deHaan, Larcker, and McClure (2019).

following Schedule 13 filings (Souther 2018; Keusch 2023; Chapman et al. 2022; McDonough, Nagar, Schoenfeld 2024). To examine this, we estimate the following regression:

$$Turnover = \alpha + \beta_2 Potentially\ Activist\ Stakes\ + \beta_2 Activist\ Stakes\ (13D) + Controls\ + Fixed\ Effects \quad (4)$$

In additional to firm and blockholder characteristics, when *CEO* is the dependent variable, we control for the age (*Age*) and tenure of the CEO (*Tenure*), as well as whether the firm recorded any write-offs (*Write-off*) in the prior year (Helwege, Intintoli, Zhang 2012). Further, for both *CEO* and *Board* specifications, we also control for any M&A activity in the six months leading up to the blockholder investment (*Merger)* (Helwege, Intintoli, Zhang 2012).

In Table 5, we find that firms with *Potentially Activist Stakes* experience significantly higher rates of CEO turnover within six months of the Schedule 13 filings compared to those with *Non-Activist Stakes*. However, we do not find a significant effect of *Potentially Activist Stakes* on board turnover, as evidenced by the insignificant coefficients in the board turnover columns. Consistent with the idea that the threat of public campaigns is a strategic middle ground, firms with *Activist Stakes* (13Ds) exhibit significantly higher rates of both CEO and board turnover than those with *Potentially Activist Stakes*. The coefficient for *Activist Stakes* in all CEO and board turnover columns is positive and significant, suggesting that a more confrontational approach is associated with broader governance changes.

These findings support the notion that the threat of public campaigns can effectively pressure the board to replace a CEO, providing blockholders with an impactful yet less costly alternative to public confrontational actions. However, when blockholders seek broader changes that require public shareholder approval, such as altering the board composition, they may need to escalate to more aggressive measures, like 13D filings or proxy fights.

5.5 Mergers and acquisitions

Other than implementing corporate governance changes, prior studies have found that public campaigns can improve the effectiveness of M&A deals, a phenomenon commonly known as "activist M&A arbitrage" (e.g., Jiang, Li and Mei 2019). In this sub-section, we analyze the association of *Potentially Activist Stakes* with mergers and acquisitions. To do so, we estimate the following regression:

$$M\&A\_Ind =$$

$$\alpha + \beta_1 Potentially\ Activist\ Stakes\ + \beta_2 Activist\ Stakes + Controls\ + Fixed\ Effects \quad (5)$$

The dependent variable, *M&A_Ind,* is an indicator set to 1 if the firm experienced a merger or acquisition (if acquisition, then the firm must be the acquired company) in the 3 months after the initial investment. The positive and significant coefficient for *Potentially Activist Stakes* in three of the four columns of Table 6 indicates that firms with *Potentially Activist Stakes* have an increased likelihood of M&A activity relative to those with non-activist blockholders. In comparison, firms with *Activist Stakes* exhibit even higher M&A activity, with larger coefficients and significant coefficients in all four columns. This suggests that while investors holding *Potentially Activist Stakes* can influence M&A outcomes, their effect is more moderate than that of those with openly *Activist Stakes*, again providing evidence of the "middle ground" occupied by this strategy. Overall, these results support the notion that the presence of *Potentially Activist Stakes* can increase the likelihood of M&A events, indicating that their monitoring activities provide a balance between passive ownership and aggressive public activism.

5.6 Blockholder/Management Agreement

In this sub-section, we investigate the mechanism by which investors holding *Potentially Activist Stakes* are able to affect firm outcomes by examining their voting behavior. If purely

behind-the-scenes threats of public campaigns are effective, we would expect investors holding *Potentially Activist Stakes* to demonstrate higher public agreement with management proposals than other blockholders, which should be evident in their tendency to vote in support of management recommendations. However, if investors holding *Potentially Activist Stakes* instead use their public votes as a way of conveying their opinions to management, then we might expect them to be *less* likely to vote to support management proposals. We examine three dimensions of voting behavior (*Vote*): (1) *With,* calculated as the percentage of votes that the blockholder voted "with" management in the first shareholder meeting after the 13G filing, (2) *Against,* calculated as the percentage of votes that the blockholder voted "against" management, and (3) *Withhold,* calculated as the percentage of votes that the blockholder "withheld" or abstained. Withheld votes are often viewed as de facto votes against management recommendations. Because of restrictions in the mutual fund voting data (see Table 1), we are only able to make this comparison for *Potentially Activist Stakes* and *Non-Activist Stakes.*

$$Vote = \alpha + \beta_1 Potentially\ Activist\ Stakes + Controls + Fixed\ Effects \quad (6)$$

Supporting the notion that the private threat of public campaign allows investors holding *Potentially Activist Stakes* to come to an agreement with management before items go up for a vote, the results in Table 7 indicate that these investors are significantly more likely to vote "With" management than those holding *Non-Activist Stakes*, with positive and significant coefficients on *Potentially Activist Stakes* in columns (1) to (3). Additionally, investors with *Potentially Activist Stakes* are less likely to vote "Against" management, as shown by the negative and significant coefficients in columns (4) through (6), and less likely to withhold their votes, with negative and significant coefficients in columns (8) and (9).

6.0 Additional Tests:

6.1 Falsification Test

Thus far, we have shown that the threat of public campaigns appears to be a governance strategy that is more effective than remaining purely non-activist but less effective than launching a public campaign. One alternative explanation for our findings is that the observed outcomes are driven by the skills and abilities of investors holding *Potentially Activist Stakes* rather than the underlying governance mechanism itself. Specifically, the average skills and capabilities of *Potentially Activist Investors* (the investors who file both 13Ds and 13Gs and have *Potentially Activist Stakes* and *Activist Stakes*) may fall between those of *Purely Non-Activist Investors* and *Purely Activist Investors*. To investigate this further, we compare post-13D outcomes between those activists who exclusively file 13Ds (*Purely Activist Investors*) and those who have also recently filed 13Gs (*Potentially Activist Investors)*. If these *Potentially Activist Investors* exhibit weaker monitoring or governance capabilities than *Purely Activist Investors*, then we would expect significant differences in investment and firm outcomes for these two groups. However, as shown in Table 8 Panel A, we find no evidence of significant differences in the investments of 13D filers who have or have not also filed 13Gs in terms of short-run returns, voting behavior, executive turnover, or M&A activity. In Panel B we also find no difference in investment returns after three months, but a modest statistically significant difference after two years. Overall, these results suggest that differences in the skills and ability of the blockholders holding *Potentially Activist Stakes* are unlikely to drive all of our results, especially in the short run. Instead, it appears that the outcomes are driven by the strategy taken (threat of public campaign vs. actual public campaign).

6.2 Does Potentially Activist Just Capture the Threat of Exit?

Another alternative explanation for our findings is that they may be driven by the threat of exit. Specifically, investors with *Potentially Activist Stakes* may be more effective than those with *Non-Activist Stakes* at utilizing the threat of exit through their private interactions with management. To explore this possibility, we use illiquidity as a proxy for the feasibility of the threat of exit. The rationale is that for illiquid firms, a blockholder's decision to sell their stake would likely trigger a significant price drop, leading to substantial immediate financial losses for the liquidating shareholder. This makes an exit strategy both infeasible and unattractive (Edmans, Fang, and Zur 2013; Crane, Koch, and Michenaud 2019). Consequently, rational blockholders who intend to rely on exit as a governance mechanism would likely avoid illiquid firms ex-ante.

In Table 9, Panel A, we observe that both *Potentially Activist Stakes* and *Activist Stakes* are significantly more likely to occur for illiquid firms than *Non-Activist Stakes.* The fact that investors with both *Potentially Activist Stakes* and *Activist Stakes* are willing to invest in these firms suggests that they do not intend to rely on the threat of exit or actual exit as their primary governance mechanism. Furthermore, if our results were primarily driven by investors with *Potentially Activist Stakes* being more effective at leveraging the threat of exit, we would expect their impact on firms to be greater when the threat of exit is more feasible and weaker when it is less feasible. However, we find some evidence of the opposite. In Table 9 Panel B, we observe that the voting patterns of *Potentially Activist Stakes* are stronger for illiquid firms (*High_Illiq)* where the threat of exit is less feasible, and we find no difference in turnover and M&A outcomes. Additionally, we find that *Potentially Activist Stakes* are *more* likely to be converted into public campaigns when illiquidity is high (*Switch*), providing further evidence that the threat of public campaigns is being utilized in these cases.

6.3 Stock-Picking Ability

Finally, we investigate whether our results are attributable to the stock-picking abilities of investors holding *Potentially Activist Stakes*. In Table 10 we re-run our previous analyses on all dependent variables while controlling for both year and investor fixed effects (Panel A) and re-calculate portfolio returns only for the set of investors with both 13G and 13D filings at some point in our sample period (Panel B). We find most results remain significant, suggesting that our results are not driven solely by time-invariant investor stock-picking ability.

6.4 Other Robustness Tests

Results presented in the Internet Appendix examine numerous alternative explanations. For example, we show that inferences of our tests are unchanged after excluding *Potentially Activist Stakes* that subsequently switch to openly *Activist* 13Ds. We also show that *Potentially Activist Stakes* are unlikely to be part of a wolfpack activism strategy (Wong, 2020) by showing similar results after excluding all observations when another investor files a 13D during the window that the dependent variable is measured. We also show similar results when creating our *Potentially Activist Stakes* and *Potentially Activist Investors* classifications using filings during the last 1 to 10 years rather than the last 3 years.

7. Conclusion

Our paper makes a novel contribution by providing empirical evidence on a previously understudied governance mechanism: the threat of public campaigns. We create a simple, yet intuitive indicator of this threat based on a blockholder's prior history of activism. Whereas prior literature and practitioners typically classify blockholder positions as activist or non-activist on the basis of Schedule 13D or 13G filings, we argue—and find evidence—that many 13G, or so-called "passive," stakes are better described as *Potentially Activist Stakes* that carry with them the threat

of potential public activism. We validate our empirical measure of *Potentially Activist Stakes* by showing that they are more likely to convert to explicitly activist positions and are associated with more in-person investor-firm interactions than *Non-Activist Stakes*. Our classification also aligns with how investors describe their own strategies on their websites.

We find significant returns to this strategy with *Potentially Activist Stakes* earning significantly higher short- and long-run returns relative to *Non-Activist Stakes* but lower returns than openly *Activist Stakes*. Firms with *Potentially Activist Stakes* are also more likely to experience executive turnover and M&A activity relative to those with *Non-Activist Stakes*, but less than those with explicitly *Activist Stakes*. This supports the notion that the threat of public activism is a "middle path" where investors engage with firms behind the scenes to enact value-enhancing changes while avoiding more costly public fights. This interpretation is further confirmed by the finding that investors with *Potentially Activist Stakes* are *more* likely to vote in accordance with management recommendations than other 13G filers.

While visible activist campaigns are rare, the *threat* of public a campaign appears relatively common, with $4.6 trillion in investments in our sample classified as *Potentially Activist Stakes*. Therefore, our results provide insight into a major mechanism through which investors influence firm decisions. These results resolve conflicting evidence from the prior literature on the effectiveness of exit as a governance mechanism by indicating that any incremental returns generated by the presence of 13G investment appear to be driven by the threat of public campaigns. In contrast, purely non-activist 13G investments which rely solely on the threat of exit do not appear to have any significant effect on firm outcomes. Our findings are especially timely given recent SEC guidance that classifies certain behind-the-scenes investor activities as activism,

requiring many investors to either alter their engagement with firms or face heightened disclosure requirements under Schedule 13D (SEC, 2025).

During the preparation of this work the authors used Grammarly and ChatGPT in order to increase the clarity of writing. ChatGPT (with input from ClaudeAI) was used to classify investment strategy descriptions, as described in the paper. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

REFERENCES

Admati, Anat R., and Paul Pfleiderer. "The "Wall Street Walk" and shareholder activism: Exit as a form of voice." *The Review of Financial Studies* 22, no. 7 (2009): 2645-2685.

Aiken, Adam L., and Choonsik Lee. "Let's talk sooner rather than later: The strategic communication decisions of activist blockholders." *Journal of Corporate Finance* 62 (2020): 101593.

Albuquerque, Rui, Vyacheslav Fos, and Enrique Schroth. "Value creation in shareholder activism." *Journal of Financial Economics* 145, no. 2 (2022): 153-178.

Appel, Ian R., Todd A. Gormley, and Donald B. Keim. "Standing on the shoulders of giants: The effect of passive investors on activism." *The Review of Financial Studies* 32, no. 7 (2019): 2720-2774.

Ayers, Benjamin C., Santhosh Ramalingegowda, and P. Eric Yeung. "Hometown advantage: The effects of monitoring institution location on financial reporting discretion." *Journal of Accounting and Economics* 52, no. 1 (2011): 41-61.

Bebchuk, Lucian A., Alma Cohen, and Scott Hirst. "The agency problems of institutional investors." *Journal of Economic Perspectives* 31, no. 3 (2017): 89-112.

Bourveau, Thomas, and Jordan Schoenfeld. "Shareholder activism and voluntary disclosure." *Review of Accounting Studies* 22 (2017): 1307-1339.

Brav, Alon, Wei Jiang, Frank Partnoy, and Randall Thomas. "Hedge fund activism, corporate governance, and firm performance." *The Journal of Finance* 63, no. 4 (2008): 1729-1775.

Brav, Alon, Wei Jiang, Song Ma, and Xuan Tian. "How does hedge fund activism reshape corporate innovation?." *Journal of Financial Economics* 130, no. 2 (2018): 237-264.

Brochet, Francois, Fabrizio Ferri, and Gregory S. Miller. "Investors' perceptions of activism via voting: Evidence from contentious shareholder meetings." *Contemporary Accounting Research* 38, no. 4 (2021): 2758-2794.

Bushee, Brian J. "Do institutional investors prefer near-term earnings over long-run value?." *Contemporary accounting research* 18, no. 2 (2001): 207-246.

Carhart, Mark M. "On persistence in mutual fund performance." *The Journal of finance* 52.1 (1997): 57-82.

Chapman, Kimball L., Gregory S. Miller, Jed J. Neilson, and Hal D. White. "Investor relations, engagement, and shareholder activism." *The Accounting Review* 97, no. 2 (2022): 77-106.

Chen, Xia, Jarrad Harford, and Kai Li. "Monitoring: Which institutions matter?." *Journal of Financial Economics* 86, no. 2 (2007): 279-305.

Cheng, CS Agnes, Henry He Huang, Yinghua Li, and Jason Stanfield. "The effect of hedge fund activism on corporate tax avoidance." *The Accounting Review* 87, no. 5 (2012): 1493-1526.

Clifford, Christopher P. "Value creation or destruction? Hedge funds as shareholder activists." *Journal of Corporate Finance* 14, no. 4 (2008): 323-336.

Clifford, Christopher P., and Laura Lindsey. "Blockholder heterogeneity, CEO compensation, and firm performance." *Journal of Financial and Quantitative Analysis* 51, no. 5 (2016): 1491-1520.

Cooley. "SEC Staff Adopts Significant New Guidance Affecting Shareholder Proposals and Engagement." (February 14 2025), https://www.cooley.com/news/insight/2025/2025-02-14-sec-staff-adopts-significant-new-guidance-affecting-shareholder-proposals-and-engagement#:~:text=The%20Regulation%2013D%2DG%20reporting,the%20%E2%80%9Cshort%2Dform%E2%80%9D%20Schedule

Crane, Alan D., Andrew Koch, and Sébastien Michenaud. "Institutional investor cliques and governance." *Journal of Financial Economics* 133, no. 1 (2019): 175-197.

Dana Incorporated. "Dana Incorporated Announces Two Appointments to Board of Directors, Reaches Agreement with Icahn Capital." (2022), https://www.dana.com/newsroom/press-releases/dana-incorporated-announces-two-appointments-to-board-of-directors-reaches-agreement-with-icahn-capital/

David, Parthiban, Augustine Duru, Gerald J. Lobo, Johan Maharjan, and Yijiang Zhao. "Threat of Exit by Non-Blockholders and Income Smoothing: Evidence from Foreign Institutional Investors in Japan." *Contemporary Accounting Research* 39, no. 2 (2022): 1358-1388.

deHaan, E., Larcker, D., & McClure, C. (2019). Long-term economic consequences of hedge fund activist interventions. *Review of Accounting Studies*, *24*, 536-569.

Deb, Saikat Sovan, Huu Nhan Duong, Amanjot Singh, and Harminder Singh. "Does hedge fund activism improve investment efficiency?." *Review of Accounting Studies* 29, no. 3 (2024): 2551-2577.

Edmans, Alex. "Blockholder trading, market efficiency, and managerial myopia." The *Journal of Finance* 64, no. 6 (2009): 2481-2513.

Edmans, Alex. "Blockholders and corporate governance." *Annu. Rev. Financ. Econ*. 6, no. 1 (2014): 23-50.

Edmans, Alex, and Gustavo Manso. "Governance through trading and intervention: A theory of multiple blockholders." *The Review of Financial Studies* 24, no. 7 (2011): 2395-2428.

Edmans, Alex, Vivian W. Fang, and Emanuel Zur. "The effect of liquidity on governance." *The Review of Financial Studies* 26, no. 6 (2013): 1443-1482.

Fos, Vyacheslav. "The disciplinary effects of proxy contests." *Management Science* 63.3 (2017): 655-671.Gantchev, Nickolay. "The costs of shareholder activism: Evidence from a sequential decision model." *Journal of Financial Economics* 107, no. 3 (2013): 610-631.

Gantchev, Nickolay. "The costs of shareholder activism: Evidence from a sequential decision model." *Journal of Financial Economics* 107.3 (2013): 610-631.

Heath, Davidson, et al. "Do index funds monitor?." *The Review of Financial Studies* 35.1 (2022): 91-131.

Helwege, Jean, Vincent J. Intintoli, and Andrew Zhang. "Voting with their feet or activism? Institutional investors' impact on CEO turnover." *Journal of Corporate Finance* 18 (2012): 22-37.

Hope, Ole-Kristian, Han Wu, and Wuyang Zhao. "Blockholder exit threats in the presence of private benefits of control." *Review of Accounting Studies* 22 (2017): 873-902.

Iliev, Peter, Jonathan Kalodimos, and Michelle Lowry. "Investors' attention to corporate governance." *The Review of Financial Studies* 34, no. 12 (2021): 5581-5628.

Jiang, Wei, Tao Li, and Danqing Mei. "Activist arbitrage in M&A acquirers." *Finance Research Letters* 29 (2019): 156-161.

Keusch, Thomas. "Shareholder activists and frictions in the CEO labor market." *The Accounting Review* 98, no. 5 (2023): 353-374.

Kim, Woochan, Woojin Kim, and Kap-Sok Kwon. "Value of outside blockholder activism: Evidence from the switchers." *Journal of Corporate Finance* 15, no. 4 (2009): 505-522.

Kim, Incheol, et al. "Drivers behind the monitoring effectiveness of global institutional investors: Evidence from earnings management." *Journal of Corporate Finance* 40 (2016): 24-46.

Kirmse, Tanja. "Silent Activism." Available at SSRN 4045637 (2024).

Klein, April, and Emanuel Zur. "Entrepreneurial shareholder activism: Hedge funds and other private investors." *The Journal of Finance* 64, no. 1 (2009): 187-229.

Levit, Doron. "Soft shareholder activism." *The Review of Financial Studies* 32, no. 7 (2018): 2775-2808.

Liu, Claire, Angie Low, Ronald W. Masulis, and Le Zhang. "Monitoring the monitor: Distracted institutional investors and board governance." *The Review of Financial Studies* 33, no. 10 (2020): 4489-4531.

Lowry, Michelle. "Discussion of 'Importing Activists: Determinants and Consequences of Increased Cross-border shareholder activism'." *Journal of Accounting and Economics* 74, no. 2-3 (2022): 101540.

Maffett, Mark, Anya Nakhmurina, and Douglas J. Skinner. "Importing activists: Determinants and consequences of increased cross-border shareholder activism." *Journal of Accounting and Economics* 74, no. 2-3 (2022): 101538.

McCahery, Joseph A., Zacharias Sautner, and Laura T. Starks. "Behind the scenes: The corporate governance preferences of institutional investors." *The Journal of Finance* 71, no. 6 (2016): 2905-2932.

McDonough, Ryan, Venky Nagar, and Jordan Schoenfeld. "Voluntary disclosures by activist investors: the role of activist expectations." *Review of Accounting Studies* 29, no. 3 (2024): 2031-2081.

Nagar, Venky, and Jordan Schoenfeld. "Shareholder monitoring and discretionary disclosure." *Journal of Accounting and Economics* 72, no. 1 (2021): 101422.

Norton, Leslie P. "Corporate America Had Better Take Note.' Fund Managers Are the New Activist Investors." *Gordon Haskett Research Advisors* (2019).

Palmiter, Alan R. "Mutual fund voting of portfolio shares: Why not disclose." *Cardozo L. Rev.* 23 (2001): 1419.

Parrino, Robert, Richard W. Sias, and Laura T. Starks. "Voting with their feet: Institutional ownership changes around forced CEO turnover." *Journal of Financial Economics* 68.1 (2003): 3-46.

Pawliczek, Andrea, A. Nicole Skinner, and Laura A. Wellman. "A new take on voice: the influence of BlackRock's 'Dear CEO'letters." *Review of Accounting Studies* 26, no. 3 (2021): 1088-1136.

Schmidt, Cornelius, and Rüdiger Fahlenbrach. "Do exogenous changes in passive institutional ownership affect corporate governance and firm value?." *Journal of Financial Economics* 124.2 (2017): 285-306.

Securities and Exchange Commission. Investor Bulletin: "Hedge Funds" (2012), https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins-46.

Securities and Exchange Commission. Final Rule: "Modernization of Beneficial Ownership Reporting" (2023), https://www.sec.gov/rules-regulations/2023/10/33-11180.

Securities and Exchange Commission. (2024). *Beneficial ownership reporting: General rules*. 17 C.F.R. § 240.13d-1(a). https://www.ecfr.gov/current/title-17/chapter-II/part-240/section-240.13d-1

Securities and Exchange Commission. Staff Guidance: "Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting." (2025), https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/exchange-act-sections-13d-13g-regulation-13d-g-beneficial-ownership-reporting.

Shleifer, Andrei, and Robert W. Vishny. "Large shareholders and corporate control." *Journal of Political Economy* 94, no. 3, Part 1 (1986): 461-488.

Souther, Matthew E. "The effects of internal board networks: Evidence from closed-end funds." *Journal of Accounting and Economics* 66, no. 1 (2018): 266-290.

von Lilienfeld-Toal, U., and Schnitzler, J. (2020). "The anatomy of block accumulations by activist shareholders." *Journal of Corporate Finance*, *62*, 101620.

Wong, Yu Ting Forester. "Wolves at the door: A closer look at hedge fund activism." *Management Science* 66, no. 6 (2020): 2347-2371.

Zur, Emanuel. "The Power of Reputation: Hedge Fund Activists." Available at SSRN (2008): https://ssrn.com/abstract=1267397 or http://dx.doi.org/10.2139/ssrn.1267397

Appendix A: Variable Definitions

Main Independent Variables

Variable Name	*Level of Measurement*	*Definition*
Potentially Activist Stakes	Filing	Indicator variable equal to one for 13G filings filed by an investor that has filed a 13D in any other firm in the previous rolling three years (i.e., filed by a *Potentially Activist Investor)* and zero otherwise.
Non-Activist Stakes	Filing	Indicator variable equal to one for 13G filings filed by an investor that has filed only 13Gs for all firms in the previous, rolling three years (i.e., filed by a *Purely Non-Activist Investor)* and zero otherwise.
Activist Stakes	Filing	Indicator variable equal to one for 13D filings and zero otherwise.
Purely Non-Activist Investors	Investor-year	Indicator variable equal to one for investors who have filed only 13Gs in the previous, rolling three years and zero otherwise.
Potentially Activist Investors	Investor-year	Indicator variable equal to one for investors who have filed both 13Gs and 13Ds in the previous, rolling three years and zero otherwise.
Max(Potentially Activist Investors)	Investor	Indicator variable equal to one for investors who have filed both 13Gs and 13Ds at any point in the sample period and zero otherwise. In other words, the maximum value of *Potentially Activist Investors* for a given investor.
Purely Activist Investors	Investor-year	Indicator variable equal to one for investors who have filed only 13Ds in the previous, rolling three years and zero otherwise.

Main Dependent Variables

Variable Name	*Level of Measurement*	*Definition*
Ab/Withhold	Filing	Percentage of votes for which mutual fund *k* abstained or withheld their votes relative to all votes cast during the shareholder meetings within one year following the Schedule 13 investment.
Against	Filing	Percentage of votes for which mutual fund *k* voted against management's recommendations relative to all votes cast during the shareholder meetings within one year following the Schedule 13 investment.
BHAR[]	Filing	Equal-weighted abnormal buy-and-hold returns adjusted using the Fama-French Four-Factor model over the time period specified relative to the event date (i.e., date the investor crossed the 5% threshold) following Carhart (1997).

Board	Filing	Indicator equal to one if firm *j* changed or added a director to the board within six months following the Schedule 13 investment and zero otherwise.
CAR[]	Filing	Value-weighted cumulative abnormal returns adjusted using the Fama-French Four-Factor model over the time period specified (relative to the Schedule 13 filing date) following Carhart (1997).
CEO	Filing	Indicator equal to one if firm *j* added a new CEO within six months following the Schedule 13 investment and zero otherwise.
ILLIQ	Filing	Natural log of a given firm's stock illiquidity in the calendar quarter that the Schedule 13 was filed calculated following Amihud (2002).
Ln(Site_Visits)	Investor-firm-pair-month (Filing-month)	Natural log of one plus the number of total visits between an investor's census block group and firm's census block groups in a given calendar month.
M&A_Ind	Filing	Indicator equal to 1 if firm *j* had either a merger or acquisition happen (if acquisition, then firm *j* must be the acquired company) in the three months after the initial investment and zero otherwise.
Switch	Filing	Indicator equal to one if the investor ever switches their filing in a given filing in a given firm from their initial filing type (13G or 13D) to the other filing type (13D or 13G).
With	Filing	Percentage of votes for which mutual fund *k* voted with management's recommendations relative to all votes cast during the shareholder meetings within one year following the Schedule 13 investment.

Controls

Variable Name	***Level of Measurement***	***Definition***
% Holding	Filing	Percent of stock that investor *i* owned in firm *j* at the time of the Schedule 13 filing.
Bank	Filing	Indicator variable equal to one if the investor is a bank and zero otherwise. (Source: Schedule 13 filing)
Broker	Filing	Indicator variable equal to one if the investor is a broker and zero otherwise. (Source: Schedule 13 filing)
CEO Age	Filing	CEO age at the time of the Schedule 13 event date for the initial investment.
CEO Tenure	Filing	CEO tenure at firm *j* at the time of the Schedule 13 event date for the initial investment in days.

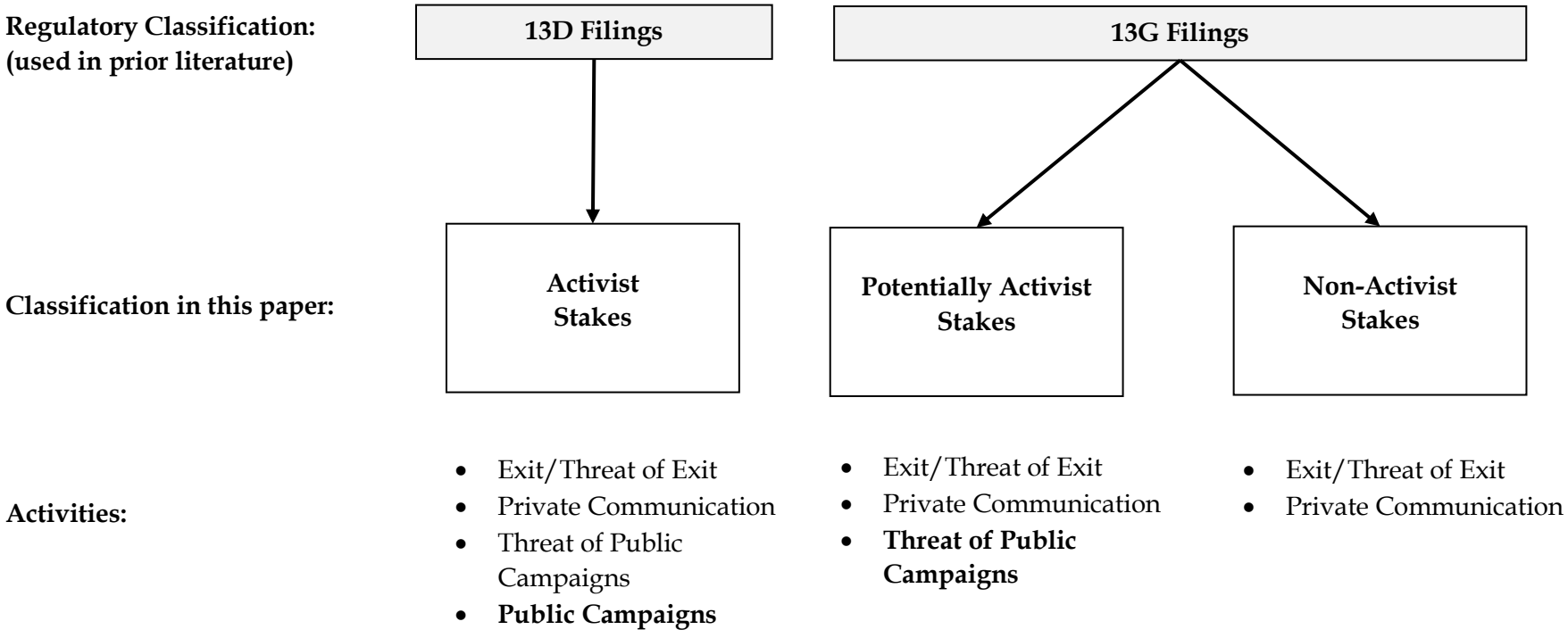
Distance	Investor-firm-pair-month (Filing-month)	Distance (in kilometers) between the latitude and longitude points of the investor and firm addresses.
High_Illiq	Filing	An indicator variable equal to 1 if ILLIQ for that Schedule 13 filing is above the median value of *ILLIQ* and zero otherwise.
Holding	Filing	Indicator variable equal to one if the investor is a holding company and zero otherwise. (Source: Schedule 13 filing)
Individual	Filing	Indicator variable equal to one if the investor is an individual and zero otherwise. (Source: Schedule 13 filing)
Investment Advisor	Filing	Indicator variable equal to one if the investor is an investment advisor and zero otherwise. (Source: Schedule 13 filing)
Leverage	Firm-year	Leverage ratio of the subject firm calculated as the ratio of total debt (long-term and short-term) to total assets as of the fiscal year end prior to the Schedule 13 filing.
Merger	Filing	Indicator equal to one if firm *j* announced a merger in the six months before a Schedule 13 filing and zero otherwise.
MTB	Firm-year	Market-to-book ratio of the subject firm calculated as the ratio of overall market cap to total assets as of the fiscal year end prior to the Schedule 13 filing.
Other	Filing	Indicator variable equal to one if the investor is not any of the other investor types listed above and zero otherwise.
Partnership	Filing	Indicator variable equal to one if the investor is a partnership and zero otherwise. (Source: Schedule 13 filing)
ROA	Firm-year	Return on Assets ratio of the subject firm calculated as the ratio of income before extraordinary items to total assets as of the fiscal year end prior to the Schedule 13 filing.
Size	Firm-year	Natural logarithm of total assets of the subject firm as of the fiscal year end prior to the Schedule 13 filing.
Total_Visits	Firm-month	Sum of the total visits from all census blocks to firm *j*'s census block group for a given calendar month.
With_GL	Filing	Percentage of votes for which mutual fund *k* voted with Glass Lewis' recommendations relative to all votes cast during the shareholder meeting following the Schedule 13 investment.
Write-off	Firm-year	Indicator equal to one if firm *j* had any write-offs in the prior fiscal year before the Schedule 13 filing.

Appendix B: Schedule 13 Regulatory Filing Classifications and Requirements

	Who Must File	Information Provided	Typical Filing Length	Time to Initial Filing
Schedule 13D	Any investor that acquires more than 5% of an equity security and intends to influence the control of the firm.	Basic descriptive information about the investor and the company in which they are investing, information on the size of the investor's holding, a description of the investor's intentions regarding changes to the board or company strategy, any agreements with other shareholders or parties, voting arrangements, the sources of funds used to acquire the ownership stake, and detailed information about all trades in the security made in the 60 days leading up to the date of the 13D filing including trading information of any other investor working together with the filing investor.	5-20 pages	Within 10 days of hitting 5% ownership*
Schedule 13G	Any investor that acquires more than 5% of an equity security and does not intend to influence the control of the firm.	Basic descriptive information about the investor and the company in which they are investing and information on the size of the investor's holding.	1-3 pages	Depends on investor type. Typically within 45 after the end of the calendar year in which the investor hit 5% ownership. For some investors, within 10 days of hitting 5% ownership.*

* Info in this table describes the filing timelines for 13D and 13G filings through 90 days after October 10, 2023. At this time, the SEC updated filing requirements to shorten required filing timelines for both filing types. Our sample ends before this rule took effect, so this table includes filing regulations prior to the October 2023 change.

Figure 1: Investment Classifications and Activities



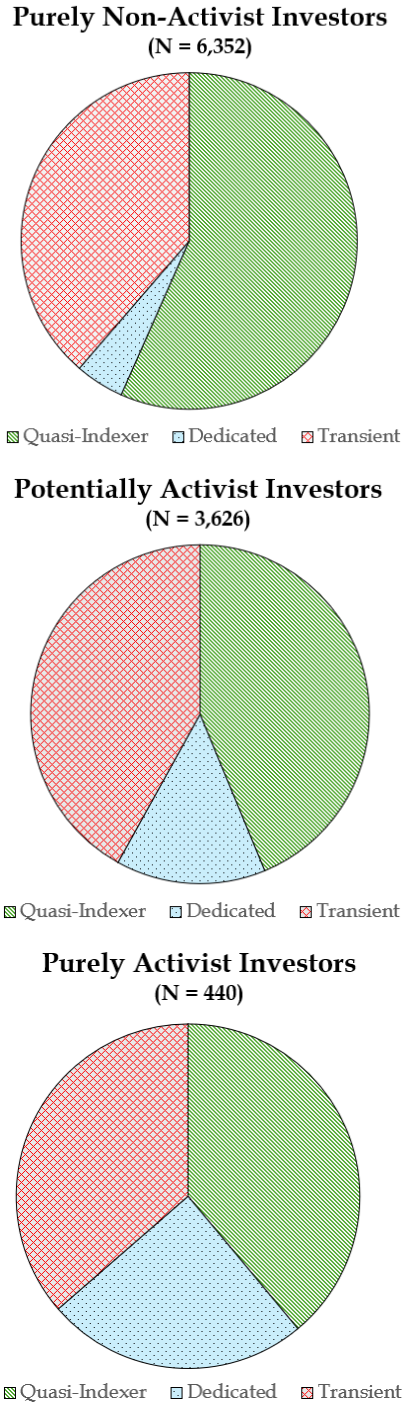
Threat of Exit: the possibility that blockholders will sell their shares entirely and exit the company.

Private Communication: private discussions between management and investors aimed at improving the firm.

Threat of Public Campaigns: privately threatening to launch a public campaign against management (implicit or explicit).

Public Campaigns: launching a public campaign against management.

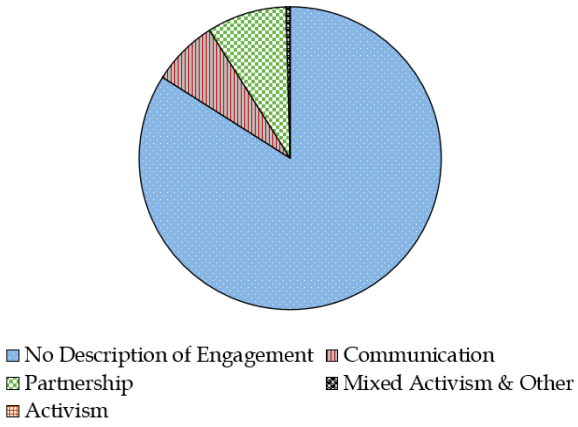
Figure 2: Bushee Classification Cross Sections



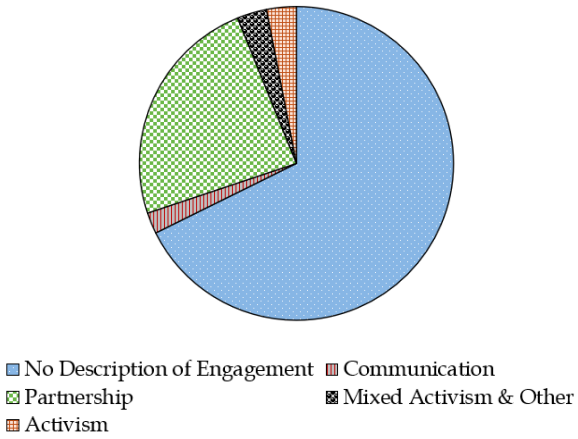
This figure presents pie charts comparing the overlap of our investor classifications (*Purely Non-Activist Investors, Potentially Activist Investors,* and *Purely Activist Investors*) with the Bushee (2001) investor classifications (*Quasi-Indexers, Dedicated*, and *Transient*). Each investor-year is one observation based on the investor's filings in the previous three years. *Potentially Activist Investors* represent investors that have filed both a 13G and 13D within the previous three-year rolling window, *Purely Activist Investors* represent investors that have only filed 13Ds in the previous three-year rolling window, and *Purely Non-Activist Investors* are investors that have only filed 13Gs in the previous three-year rolling window.

Figure 3: Investor Strategy Description Classifications

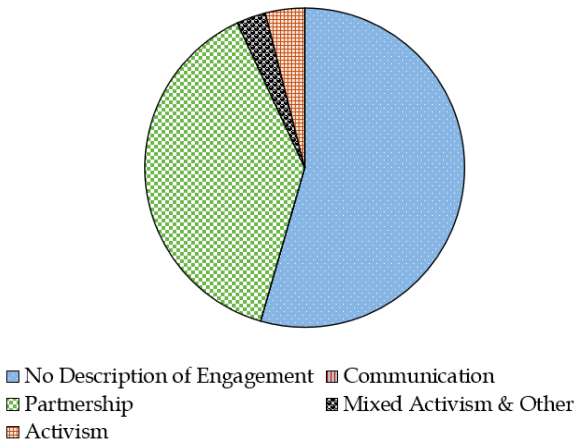
Purely Non-Activist Investors
(N = 680)



Potentially Activist Investors
(N = 229)



Purely Activist Investors
(N = 101)



This figure presents pie charts comparing the overlap of our investor classifications (*Purely Non-Activist Investors, Potentially Activist Investors,* and *Purely Activist Investors*) with categories of investor strategy descriptions determined by ChatGPT (*No Description of Engagement, Communication, Partnership, Mixed Activism & Other,* and *Activism*). Since investor strategies were pulled from investor websites in 2024, each investor has only one separate observation and is assigned to our investor classifications based on their filing types between 2020 and 2022. *Potentially Activist Investors* are investors that have filed both a 13G and 13D since 2020, *Purely Activist Investors* are investors that have only filed 13Ds since 2020, and *Purely Non-Activist Investors* are investors that have only filed 13Gs since 2020.

Table 1: Sample Construction

Sample Selection Steps	13G Filings	13D Filings
(1) All 13G & 13D filings 1995-2022Q3	604,884	185,011
(2) After dropping if missing investor or firm CIK	585,265	173,723
(3) After dropping if investor CIK cannot link to ADV or 13F	457,786	48,925
(4) After dropping if missing Compustat data for controls	406,262	40,591
(5) After dropping if not an initial filing	112,687	7,554
(6) After dropping if firm saw different 13D investment in prior 30 days before 13G filing	111,914	7,552
Base Sample (And Final Sample for Switching Analysis)	**111,914**	**7,552**
(7a) After dropping if cannot link to CRSP returns	106,404	6,611
Final Sample for Returns Analysis	**106,404**	**6,611**
(7b) After dropping if firm not in Boardex Manager Sample	73,857	4,134
Final Sample for Manager Turnover Analysis	**73,857**	**4,134**
(7c) After dropping if firm not in Boardex Board Sample	66,954	3,788
Final Sample for Director Turnover Analysis	**66,954**	**3,788**
(7d) After dropping if firm not in M&A Sample	43,853	2,629
Final Sample for M&A Analysis	**43,853**	**2,629**
(7e) After dropping if missing address or non-U.S. address	96,810	6,477
(8e) After dropping if filing before January 2017 or after February 2020	7,137	463
(9e) After dropping if cannot match address to CBG	5,072	330
(10e) After dropping if multiple investors in same CBG	4,860	284
(11e) After dropping if multiple firms with different investor types in same CBG	4,419	283
(12e) After dropping if investor or firm change addresses in sample period	4,091	211
(13e) After dropping if visits between CBGs in 99th percentile	4,063	210
Final Sample for SafeGraph Analysis	**4,063**	**210**
(7f) After dropping if cannot match Voting Analytics to firm CIK or if no investor name matches when fuzzy matching	**10,150**	281
Final Sample for Mutual Fund Voting Analysis	**10,150**	**281**

This table presents the sample details of the 13G and 13D filings as well as our merges with other datasets. Step (2) refers to excluding filings where the investor and firm have the same CIK, where CIK is missing for either the investor or firm, and where percentage of stock held is missing. Step (5) refers to both new filings between an investor that hasn't invested in a firm before and filings where an investor fell below 5% and then subsequently reinvested above 5%. Step (7c) merges the previous data with the Boardex director data that is only available after 2002 and not for the entire sample period. Step (7f) first requires matching Voting Analytics CompanyID to firm CIK in our sample. Then, we require a 90% match when fuzzy matching Voting Analytics Institution Name with our investor name reported in the 13D filing and require the first word of both names to be the same. We manually examine all matches above 90% with different first words and correct any that were indeed matches.

Table 2: Descriptive Statistics at Filing Level

Panel A: Filing-level Summary Statistics

	N	Mean	SD	P25	P50	P75
Potentially Activist Stakes	119,466	0.313	0.464	0	0	1
Non-Activist Stakes	119,466	0.624	0.484	0	1	1
Activist Stakes (13D)	119,466	0.063	0.243	0	0	0
Sometimes Activist Investors	119,466	0.387	0.487	0	0	1
Pure Non-Activist Investors	119,466	0.587	0.492	0	1	1
Pure Activist Investors	119,466	0.025	0.157	0	0	0
Switch	119,466	0.023	0.151	0	0	0
Ln(Site_Visits)	43,606	0.160	0.584	0	0	0
CAR[-1,+1]	113,015	0.003	0.101	-0.032	-0.001	0.032
CAR[-30,+10]	113,015	0.007	0.359	-0.136	-0.001	0.137
With	10,431	0.920	0.171	0.909	1	1
Against	10,431	0.037	0.098	0	0	0
Ab./Withold	10,431	0.044	0.137	0	0	0
CEO [6-Months]	77,991	0.259	0.438	0	0	1
Board [6-Months]	70,742	0.148	0.355	0	0	0
M&A_Ind [3-Months]	46,482	0.071	0.256	0	0	0
MTB	119,466	1.943	49.196	0.454	0.933	1.859
Size	119,466	6.376	1.951	5.047	6.323	7.650
Leverage	119,466	0.266	3.462	0.025	0.193	0.384
ROA	119,466	0.061	3.726	0	0.022	0.064
% Holding	119,466	7.501	6.216	5.315	6.200	8.23
Investment Advisor	119,466	0.574	0.495	0	1	1
Holding	119,466	0.330	0.47	0	0	1
Individual	119,466	0.202	0.401	0	0	0
Partnership	119,466	0.095	0.293	0	0	0
Bank	119,466	0.049	0.215	0	0	0
Broker	119,466	0.044	0.204	0	0	0
Other	119,466	0.067	0.251	0	0	0
Distance	43,606	1,819	1,399	570	1,509	2,846
Total_Visits	43,606	10,452	12,203	2,792	6,168	13,387
With_GL	2,867	0.855	0.184	0.778	0.917	1
Merger	119,466	0.015	0.121	0	0	0
Write-off	77,991	0.002	0.043	0	0	0
CEO Age	77,991	55	8	49	55	60
CEO Tenure	77,991	1,635	1,885	410	1,028	2,155

Panel B: Filing-level Differences in Controls Between Investment Activism Groups

	N (Activist Stakes)	N (Potentially Activist Stakes)	N (Non-Activist Stakes)	Activist Stakes	Potentially Activist Stakes	Non-Activist Stakes	**Potentially vs. Non-Activist Stakes Diff.**
Switch	7,552	37,362	74,552	0.112	0.035	0.009	**0.026*** **
Ln(Site_Visits)	-	16,848	26,758	-	0.197	0.137	**0.060*** **
CAR[-1,+1]	6,611	35,117	71,287	0.024	0.004	0.001	**0.003*** **
CAR[-30,+10]	6,611	35,117	71,287	0.094	0.009	-0.003	**0.012*** **
With	281	1,434	8,716	0.887	0.929	0.919	**0.010** **
Against	281	1,434	8,716	0.041	0.030	0.037	**-0.007*** **
Ab./Withold	281	1,434	8,716	0.072	0.042	0.044	**-0.002**
CEO [6-Months]	4,134	24,182	49,675	0.278	0.270	0.253	**0.017*** **
Board [6-Months]	3,764	22,429	44,525	0.176	0.143	0.149	**-0.006** **
M&A_Ind [3-Months]	2,623	15,149	28,704	0.122	0.069	0.067	**0.002**
MTB	7,552	37,362	74,552	3.234	1.961	1.804	**0.157**
Size	7,553	37,362	74,552	5.932	6.450	6.320	**-0.130*** **
Leverage	7,554	37,362	74,552	0.305	0.289	0.251	**0.038** *
ROA	7,555	37,362	74,552	0.042	0.048	0.070	**-0.022**
% Holding	7,556	37,362	74,552	12.26	7.312	7.114	**0.198*** **
Investment Advisor	7,557	37,362	74,552	0.446	0.475	0.636	**-0.162*** **
Holding	7,558	37,362	74,552	0.249	0.414	0.296	**0.118*** **
Individual	7,559	37,362	74,552	0.544	0.214	0.161	**0.054*** **
Partnership	7,560	37,362	74,552	0.456	0.111	0.051	**0.060*** **
Bank	7,561	37,362	74,552	0.24	0.037	0.057	**0.020*** **
Broker	7,562	37,362	74,552	0.065	0.044	0.042	**0.002** *
Other	7,563	37,362	74,552	0.945	0.070	0.064	**0.007*** **
Distance	-	16,848	26,758	-	1,776	1,846	**-70*** **
Total_Visits	-	16,848	26,758	-	10,222	10,596	**-374*** **
Merger	7,552	37,362	74,552	0.095	0.011	0.009	**0.002*** **
CEO Age	4,134	24,182	49,675	55	55	55	**0.000**
CEO Tenure	4,134	24,182	49,675	1,595	1,588	1,662	**-74*** **
Write-off	4,134	24,182	49,675	0.002	0.002	0.002	**0.000**

This table presents descriptive statistics on the variables used in our analyses. Panel A presents summary statistics of the independent, dependent, and controls variales examined at the filing-level. Filings in our sample include the first filing in an investor-firm pair and filings where an investor sold their stake to below the 5% cutoff before subsequently reinvesting above 5%. Panel B presents the filing-level means and t-tests by activism group (*Non-Activist Stakes, Potentially Activist Stakes, Activist Stakes)* for each of the dependent and control variables above. T-tests compare means of *Potentially Activist Stakes* to *Non-Activist Stakes*. All variables are defined in Appendix A. ***, **, and * indicate two-tailed statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 3: Validation of *Potentially Activist* Within 13G Investors Only

Panel A: Subsequent Public Campaigns by Investors with 13G Stakes

	Dependent Variable = *Switch*			
	(1)	(2)	(3)	(4)
Potentially Activist Stakes	**0.024*** **	**0.024*** **	**0.024*** **	**0.023*** **
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**
MTB	-0.000	-0.000	-0.000	-0.000
	(0.177)	(0.172)	(0.182)	(0.311)
Size	-0.001***	-0.001***	-0.001***	-0.001
	(0.000)	(0.000)	(0.000)	(0.216)
Leverage	0.000	0.000	0.000	-0.000
	(0.295)	(0.299)	(0.330)	(0.689)
ROA	-0.000	-0.000	-0.000	-0.000
	(0.296)	(0.394)	(0.363)	(0.908)
% Holding	0.002***	0.002***	0.002***	0.001***
	(0.000)	(0.000)	(0.000)	(0.000)
Investment Advisor	0.003**	0.005***	0.005***	0.004***
	(0.030)	(0.001)	(0.001)	(0.007)
Holding	-0.012***	-0.010***	-0.010***	-0.009***
	(0.000)	(0.000)	(0.000)	(0.000)
Individual	0.016***	0.018***	0.018***	0.018***
	(0.000)	(0.000)	(0.000)	(0.000)
Partnership	0.042***	0.042***	0.042***	0.040***
	(0.000)	(0.000)	(0.000)	(0.000)
Bank	-0.006***	-0.005***	-0.005***	-0.005***
	(0.000)	(0.000)	(0.000)	(0.002)
Broker	-0.002	-0.002	-0.002	-0.004*
	(0.211)	(0.298)	(0.289)	(0.067)
Other	0.000	0.002	0.002	0.001
	(0.861)	(0.467)	(0.482)	(0.636)
Constant	0.003			
	(0.201)			
Year FE	N	Y	Y	Y
Industry FE	N	N	Y	Y
Firm FE	N	N	N	Y
Observations	111,914	111,914	111,914	109,403
R-squared	0.027	0.028	0.028	0.178

Panel B: Investor Site Visits by Investors with 13G Stakes

	Dependent Variable = *Ln(Site_Visits)*						
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Sample Period:	[-6M, +6M]	[-6M, +6M]	[-6M, 0]	[0, +6M]	[-6M, +1Y]	[-3M, +3M]	[-3M, +1Y]
Potentially Activist Stakes	**0.040****	**0.041****	**0.040****	**0.035***	**0.039****	**0.033****	**0.036****
	(0.021)	**(0.015)**	**(0.021)**	**(0.051)**	**(0.022)**	**(0.048)**	**(0.039)**
Distance	-0.102***	-0.102***	-0.104***	-0.097***	-0.101***	-0.099***	-0.100***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Total_Visits	0.116***	0.115***	0.120***	0.107***	0.117***	0.108***	0.114***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Basic Controls	Y	Y	Y	Y	Y	Y	Y
Month-Year FE	N	Y	Y	Y	Y	Y	Y
Industry FE	N	Y	Y	Y	Y	Y	Y
Observations	43,606	43,577	24,897	22,651	58,830	25,311	48,742
R-squared	0.103	0.109	0.113	0.104	0.110	0.105	0.109

This table presents results validating our measure of *Potentially Activist Stakes* using only 13G filings. Panel A examines the likelihood that investors switch from 13G to 13D filings using a linear probability model analysis. *Switch* is an indicator equal to one if an investment is ever switched from a 13G to a 13D filing. Results are robust to using a logit regression instead of LPM. Panel B presents results comparing monthly site visits bewteen census blocks for investors holding *Potentially Activist Stakes* or *Non-Activist Stakes* in a given firm, where t = 0 is the initial investment month. This analysis uses monthly SafeGraph data from January 2018 to Februrary 2020. *Ln(Site_Visits)* is a variable representing the natural log of one plus the number of total visits between the investor and firm census blocks in a given month and is captured at the investor-firm-month level. 13D investors are excluded from this analysis because too few initial 13D filings meeting our sample criteria occurred during the SafeGraph sample window. Investor-firm census block groups with visit counts in the 99th-percentile are omitted from the analysis. Basic Controls are the control variables from Panel A. All variables are defined in Appendix A. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 4: Investment Returns

Panel A: Short-Run Cumulative Abnormal Returns Around Initial Filing

	Dependent Variable = *CAR[]*							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Return Window:	[-1, +1]	[-1, +1]	[-1, +1]	[-1, +1]	[-30, +10]	[-30, +10]	[-30, +10]	[-30, +10]
Potentially Activist Stakes	**0.003****	**0.002****	**0.002****	**0.002****	**0.012*****	**0.011*****	**0.011*****	**0.010*****
	(0.014)	**(0.023)**	**(0.024)**	**(0.050)**	**(0.000)**	**(0.001)**	**(0.001)**	**(0.009)**
Activist Stakes	0.019***	0.019***	0.019***	0.020***	0.085***	0.089***	0.090***	0.079***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Basic Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	N	Y	Y	Y	N	Y	Y	Y
Industry FE	N	N	Y	Y	N	N	Y	Y
Firm FE	N	N	N	Y	N	N	N	Y
Observations	113,015	113,015	113,015	110,743	113,015	113,015	113,015	110,743
R-squared	0.004	0.005	0.005	0.156	0.005	0.008	0.009	0.219

Panel B: Longer-Term Buy-and-Hold Abnormal Returns After Initial Investment

	Non-Activist Stakes	***Potentially Activist Stakes***	*Activist Stakes*
Window: [-30 days, +3-Month]	0.43%	**1.22%*** **	7.70%***
	(0.118)	**(0.000)**	(0.000)
Observations	71,721	35,372	6,651
Diff. from *Non-Activist Stakes*	-	**0.79%***	7.27%***
	-	**(0.084)**	(0.000)
Window: [-30 days, +2-Year]	-0.09%	**2.96%*** **	23.1%***
	(0.890)	**(0.000)**	(0.000)
Observations	71,006	34,730	6,569
Diff. from *Non-Activist Stakes*	-	**3.05%*** **	23.19%***
	-	**(0.005)**	(0.000)

This table presents the stock market reactions to 13G and 13D filings as well as subsequent stock performance. Longer-period returns start at t = -30 (where t = 0 is the filing date) following prior literature that shows most of the filing period return for 13Gs and 13Ds comes before the actual filing. Panel A uses OLS regressions to analyze cumulative abnormal returns around the Schedule 13 filing adjusted using the Fama-French Four-Factor model following Carhart (1997). The filing date is the calendar date that the 13G or 13D was filed with EDGAR. Inferences are unchanged when including year and investor fixed effects. Basic Controls refer to all controls included in Table 3 Panel A. Panel B analyzes portfolios constructed by invesment group (*Non-Activist Stakes, Potentially Activist Stakes, Activist Stakes)* using short- and long-term buy-and-hold abnormal returns from the event date to three months and two years after the event date. The event date is the calendar date that the investor crossed the 5% ownership threshold requiring the filing of a 13G or 13D. Portfolio returns are calculated separately for each investment group and are adjusted using the Fama-French Four Factor Model following Carhart (1997) and a pre-estimation period benchmark. Buy-and-hold returns require the investor to have held the stock through the end of the return estimation period. All variables are defined in Appendix A. Standard errors are clustered by firm and year, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 5: Director & Executive Turnover

Dependent Variable =	*CEO*				*Board*			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Potentially Activist Stakes	**0.022*** **	**0.017*** **	**0.017*** **	**0.017*** **	**-0.004**	**0.000**	**0.000**	**0.001**
	(0.000)	**(0.000)**	**(0.000)**	**(0.000)**	**(0.166)**	**(0.925)**	**(0.930)**	**(0.681)**
Activist Stakes	0.060***	0.063***	0.062***	0.058***	0.044***	0.048***	0.047***	0.041***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Merger	-0.186***	-0.214***	-0.218***	-0.192***	-0.139***	-0.138***	-0.137***	-0.123***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Write-Off	-0.009	-0.021	-0.023	-0.020				
	(0.849)	(0.647)	(0.622)	(0.678)				
Age	0.001**	0.000	0.000	0.003***				
	(0.026)	(0.455)	(0.305)	(0.000)				
Tenure	-0.000***	-0.000***	-0.000***	0.000**				
	(0.000)	(0.000)	(0.000)	(0.047)				
Basic Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	N	Y	Y	Y	N	Y	Y	Y
Industry FE	N	N	Y	Y	N	N	Y	Y
Firm FE	N	N	N	Y	N	N	N	Y
Observations	77,996	77,995	77,995	77,150	70,742	70,742	70,742	70,053
R-squared	0.031	0.042	0.044	0.240	0.010	0.042	0.044	0.208

This table presents linear probability model analyses of executive and director turnover following investment by different investor classifications. Columns (1) through (4) look at CEO turnover in the 6-month period after Schedule 13 filings. Columns (5) through (8) look at director turnover in the 6-month period after Schedule 13 filings. Dependent variables are constructed as indicators equal to one if the firm saw turnover in either the board or management in the specified time frame following the Schedule 13 investment. Basic Controls includes all controls listed in Table 3 Panel A. Additional controls are included following prior literature (Helwege et al. 2012). All variables are defined in Appendix A. Results are robust to using logit regressions defining the dependent variables using a 1-year post-investment period. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 6: Mergers & Acquisitions

Dependent Variable =	*M&A_Ind*			
	(1)	(2)	(3)	(4)
Potentially Activist Stakes	**0.005***	**0.005****	**0.005****	**0.002**
	(0.085)	**(0.030)**	**(0.028)**	**(0.511)**
Activist Stakes	0.060***	0.035***	0.034***	0.023***
	(0.000)	(0.000)	(0.000)	(0.000)
Basic Controls	Y	Y	Y	Y
Year FE	N	Y	Y	Y
Industry FE	N	N	Y	Y
Firm FE	N	N	N	Y
Observations	46,482	46,482	46,482	45,083
R-squared	0.006	0.310	0.312	0.420

This table presents the results of OLS regressions analyzing the likelihood of mergers and acquisitions following an initial Schedule 13 investment. *M&A_Ind* is an indicator equal to one if firm j had either a merger or acquisition happen (if acquisition, then firm j must be the acquired company) in the three-month period after the initial investment and zero otherwise. Basic Controls includes all controls listed in Table 3 Panel A. All variables are defined in Appendix A. Results are robust to using logit regressions and when using a 6-month post-investment window for *M&A*. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 7: Mutual Fund Voting

Dependent Variable =	*With*			*Against*			*Abst./ Withhold*		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Potentially Activist Stakes	**0.017*** **	**0.016*** **	**0.020*** **	**-0.011*** **	**-0.005***	**-0.008** **	**-0.006**	**-0.011*** **	**-0.012** **
	(0.001)	**(0.002)**	**(0.001)**	**(0.000)**	**(0.069)**	**(0.015)**	**(0.139)**	**(0.008)**	**(0.012)**
Basic Controls	Y	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	N	Y	Y	N	Y	Y	N	Y	Y
Industry FE	N	Y	Y	N	Y	Y	N	Y	Y
Firm FE	N	N	Y	N	N	Y	N	N	Y
Observations	10,150	10,150	8,808	10,150	10,150	8,808	10,150	10,150	8,808
R-squared	0.012	0.029	0.384	0.013	0.032	0.383	0.010	0.025	0.369

This table presents results analyzing the voting behavior of mutual funds holding 13G investments that are either *Potentially Activist Stakes* or *Non-Activist Stakes (*omitted category). Columns (1) through (3) analyze the likelihood of mutual funds voting with management recommendations; columns (4) through (6) examine the likelihood of voting against management recommendations; and columns (7) through (9) examine the likelihood of mutual funds abstaining or witholding their vote. 13D investors are excluded from this analysis because of too few initial 13D filings meeting our sample criteria are covered by the mutual fund data. All dependent variables are calculated as the percent of votes from that meeting for which the mutual fund voted that specific way. Basic Controls includes all controls listed in Table 3 Panel A. All variables are defined in Appendix A. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 8: Comparison of 13D Filing Investments of *Potentially Activist Investors* and *Purely Activist Investors*

Panel A: Regression Outcomes for 13D Stakes Held by *Potentially Activist Investors* vs *Purely Activist Investors*

Dependent Variable =	(1) *CAR [-1,+1]*	(2) *CAR [-30,+10]*	(3) *With*	(4) *Against*	(5) *Ab./ Withhold*	(6) *CEO [6-Month]*	(7) *Board [6-Month]*	(8) *M&A [6-Month]*
Potentially Activist Investors	**0.001**	**-0.005**	**-0.045**	**-0.010**	**0.055**	**0.018**	**0.012**	**0.001**
	(0.824)	**(0.581)**	**(0.515)**	**(0.815)**	**(0.187)**	**(0.286)**	**(0.359)**	**(0.965)**
Relevant Controls	Y	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y	Y
Observations	6,611	6,611	279	279	279	4,134	3,788	2,699
R-squared	0.023	0.029	0.292	0.337	0.238	0.110	0.089	0.350

Panel B: Longer-Term Buy-and-Hold Abnormal Returns for 13D Stakes Held by *Potentially Activist Investors* vs *Purely Activist Investors*

	Potentially Activist Investors	*Purely Activist Investors*
Window: [-30 days, +3-Month]	7.19%***	7.96%***
	(0.000)	(0.000)
Observations	3,552	3,099
Difference		**0.77%**
		(0.427)
Window: [-30 days, +2-Year]	18.68%***	24.01%***
	(0.000)	(0.000)
Observations	3,494	3,075
Difference		**5.33%****
		(0.022)

This table presents results examining potential differences in investors who file Schedule 13D filings. Only 13D filing observations are used for the analysis (i.e., all 13G filing observations are dropped). *Potentially Activist Investors* is an indicator variable equal to one if the 13D filing was made by an investor who has filed a 13G in any firm in the previous, rolling three years and zero otherwise. The omitted group represents 13Ds from filers who have filed only 13Ds in the previous three years (*Purely Activist Investors)*. Dependent variables are specified for each column and include all main dependent variables from earlier analyses. Relevant Controls are any controls included when testing that dependent variable in any previous regression analysis. Panel B reports short- and long-run buy-and-hold portfolio returns for the two investor groups discussed in Panel A. All variables are defined in Appendix A. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 9: Threat of Exit

Panel A: Are *Potentially Activist Stakes* More Likely in Liquid Firms With an Easier Threat of Exit?

	Dependent Variable = *ILLIQ*			
	(1)	(2)	(3)	(4)
Potentially Activist Stakes	**0.048*** **	**0.175*** **	**0.160*** **	**0.068*** **
	(0.002)	**(0.000)**	**(0.000)**	**(0.000)**
Activist Stakes	0.348***	0.301***	0.282***	-0.056**
	(0.000)	(0.000)	(0.000)	(0.023)
Basic Controls	Y	Y	Y	Y
Year FE	N	Y	Y	Y
Industry FE	N	N	Y	Y
Firm FE	N	N	N	Y
Observations	98,906	98,906	98,906	97,142
R-squared	0.519	0.602	0.655	0.881

Panel B: Is the Threat of Public Campaigns Less Effective When the Threat of Exit is Lower?

Dependent Variable =	(1) *With*	(2) *Against*	(3) *Ab./ Withhold*	(4) *CEO [6-Month]*	(5) *Board [6-Month]*	(6) *M&A [6-Month]*	(7) *Switch*
Potentially Activist Stakes	**0.010***	**-0.004**	**-0.006**	**0.025*****	**-0.002**	**0.001**	**0.017*****
	(0.084)	**(0.230)**	**(0.189)**	**(0.001)**	**(0.652)**	**(0.879)**	**(0.000)**
High_Illiq	-0.025***	0.009***	0.017***	-0.003	-0.009	-0.025***	0.006***
	(0.000)	(0.008)	(0.001)	(0.717)	(0.120)	(0.000)	(0.000)
High_Illiq x Potentially Activist Stakes	**0.028****	**-0.004**	**-0.024*****	**-0.014**	**0.008**	**0.010**	**0.011*****
	(0.012)	**(0.549)**	**(0.008)**	**(0.121)**	**(0.251)**	**(0.156)**	**(0.000)**
Activist Stakes				0.048**	0.054***	0.032***	
				(0.013)	(0.000)	(0.004)	
High_Illiq x Activist Stakes				0.025	-0.002	0.018	
				(0.262)	(0.871)	(0.251)	
Relevant Controls	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y
Industry FE	Y	Y	Y	Y	Y	Y	Y
Observations	9,141	9,141	9,141	68,877	60,158	34,125	92,938
R-squared	0.032	0.038	0.030	0.046	0.042	0.375	0.030

This table presents results analyzing the relation between stock liquidity and our different investor classifications. We use illiquidity to proxy for the difficulty of using the threat of exit (the threat of exit is less valid for less liquid firms). Panel A present results regressing our investment activism classification on *ILLIQ,* which is the natural log of the Amihud (2002) liquidity measure for the calendar quarter in which the Schedule 13 was filed. Panel B presents results of our previous analyses but showing variation in the outcomes for *Potentially Activist Stakes* separated by whether the firm has has above or below median illiquidity (*High_Illiq)*. Relevant Controls are any controls included when testing that dependent variable in any previous regression analysis. All variables are defined in Appendix A. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.

Table 10: Stock Picking

Panel A: Regression Outcomes with Investor Fixed Effects

Dependent Variable =	(1) *CAR [-1,+1]*	(2) *CAR [-30,+10]*	(3) *With*	(4) *Against*	(5) *Ab./ Withhold*	(6) *CEO [6-Month]*	(7) *M&A [6-Month]*
Potentially Activist Stakes	**0.001**	**0.010*** **	**0.014***	**-0.006**	**-0.008**	**0.011***	**0.009***
	(0.340)	**(0.006)**	**(0.062)**	**(0.179)**	**(0.172)**	**(0.081)**	**(0.095)**
Activist Stakes	0.013***	0.063***				0.063***	0.048***
	(0.001)	(0.000)				(0.000)	(0.000)
Relevant Controls	Y	Y	Y	Y	Y	Y	Y
Year FE	Y	Y	Y	Y	Y	Y	Y
Investor FE	Y	Y	Y	Y	Y	Y	Y
Observations	112,074	112,074	10,128	10,128	10,128	77,233	43,833
R-squared	0.040	0.049	0.071	0.065	0.059	0.083	0.358

Panel B: Buy-and-Hold Abnormal Returns for Stakes of Investors Who Have Ever Filed Both 13Ds and 13Gs

	Non-Activist Stakes	***Potentially Activist Stakes***	*Activist Stakes*
Window: [-30 days, +3-Month]	0.75%**	**1.22%***	6.71%***
	(0.012)	**(0.000)**	(0.000)
Observations	32,838	35,109	5,749
Diff. from *Non-Activist Stakes*	-	**0.47%**	5.96%***
	-	**(0.297)**	(0.000)
Window: [-30 days, +2-Year]	0.15%	**2.96%***	17.13%***
	(0.836)	**(0.000)**	(0.000)
Observations	32,369	34,730	5,674
Diff. from *Non-Activist Stakes*	-	**2.81%***	16.98%***
	-	**(0.010)**	(0.000)

This table presents results which aim to control for investor stock-picking ability. Specifically, in Panel A, we re-run previous analyses controlling for year and investor fixed effects. Dependent variables are specified for each column and include all main dependent variables from earlier analyses. Relevant Controls are any controls included when testing that dependent variable in any previous regression analysis. Panel B recreates our longer-term buy-and-hold abnormal returns results while only analyzing stakes held by investors who have ever filed both a 13G and 13D at some point during our sample period (*Max(Potentially Activist Investors)*). All variables are defined in Appendix A. Standard errors are clustered by firm, and p-values are reported under their respective coefficients. ***, **, and * indicate statistical significance at the 0.01, 0.05, and 0.10 levels, respectively.