



# Activist on the Board Doubles the Likelihood of CEO Departure



35.3%\*



41.9%



50.0%



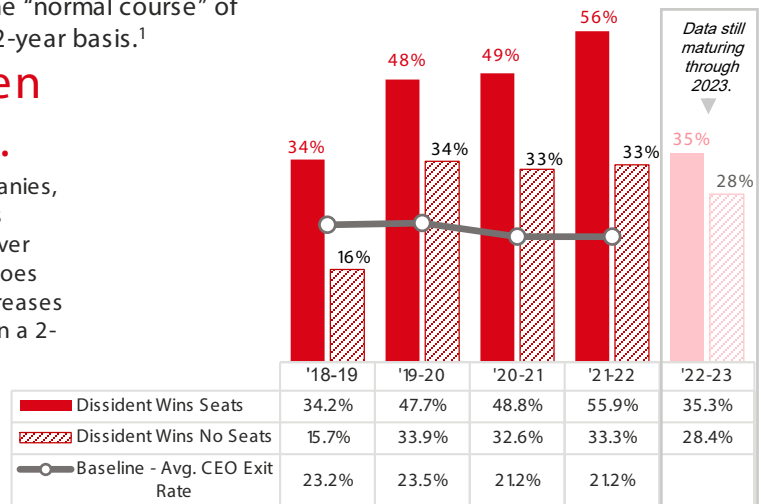
62.5%

CEO exits among Russell 3000 companies in the “normal course” of business average just north of 2% on a rolling 2-year basis.<sup>1</sup>

## CEO exits skyrocket when an activist gets involved.

When activists obtained board seats at R3000 companies, the rate of CEO change over the subsequent 2 years more than doubles. In 2021, post-activism CEO turnover reached a high of 56%. And even when the activist does not win Board seats, the CEO turnover rate often increases by more than 50%, to a rate in the low- to mid-30's on a 2-year rolling basis.

If it has become rare for an activist to explicitly campaign on a platform of CEO change, the data suggest that once on the Board, activists take a more direct approach to achieving that end:



- Among the most prolific activists, over one-third of the 34 companies at which Starboard launched campaigns experienced CEO change within two years. With Elliott, Land & Buildings, and Carl Icahn, near-term CEO-exit rates were also much higher than baseline.
- Among the most aggressive activists with at least 5 campaigns in the sample, rates of near-term CEO change ranged from 42% for Elliott to as high as 75% of the companies targeted by Engaged Capital.
- Even among the 201 “one-time” activists in the sample, 30% of the companies targeted had CEO turnover within 2 years.

Shareholder activism - even if “unsuccessful”, but particularly when it results in an activist gaining Board seats - can have significant implications for a company's leadership. Boards need to consider these implications in communicating to investors and developing a strategy for responding to activism.

Most Prolific Activists	Campaigns Launched	CEOs Ousted	Rate*	Avg Mkt Cap
			(Pct)	(Mils)
Starboard Value	34	12	35.3%	\$13,611
Elliott Management	31	13	41.9%	\$29,733
Land & Buildings	19	6	31.6%	\$6,528
Carl Icahn	16	8	50.0%	\$24,795
ValueAct Capital	15	3	20.0%	\$32,438

Most Aggressive Activists*	Campaigns Launched	CEOs Ousted	Rate*	Avg Mkt Cap
			(Pct)	(Mils)
Engaged Capital	8	6	75.0%	\$1,367
Blackwells Capital	6	4	66.7%	\$2,680
Sachem Head	8	5	62.5%	\$7,165
Carl Icahn	16	8	50.0%	\$24,795
Elliott Management	31	13	41.9%	\$29,733

*\*among activists with at least 5 campaigns in sample*

### Methodology

The study looked at Factset data from July 1, 2017 through February 20, 2023 for NYSE and NASDAQ-listed public companies, other than those in the Investment Trust/Mutual Funds industry, with a minimum market value of \$500 million at the time a shareholder campaign with a primary objective of board representation or control, removing directors, enhancing corporate governance or maximizing shareholder value first became public. In a “wolf pack” situation, we have counted each activist separately. Excluded from the research dataset were exempt solicitations and activist filings with no publicly disclosed demands, 13D filings which publicly disclosed no activist objectives, activism in response to an announced merger, hostile or unsolicited acquisitions, public short positions, and activism simply targeting a management proposal. Activism which resulted in a sale or merger of the company is not included in the CEO turnover rate.

<sup>1</sup> <https://corpgov.law.harvard.edu/2022/09/19/ceo-succession-practices-in-the-russell-3000-and-sp-500-2022-edition/>

2022 data is preliminary as of July 2022; Each period is the sum of the listed year plus the following year.

\*Percentage of public campaigns from 2018 - present which resulted in CEO turnover within 2 years of public launch