



Hail to the campaigner- in-chief

To defend against an activist, a CEO must think like a candidate, says Brunswick's ERIC SAVITZ

Before any of the candidates in the 2016 US presidential run announced their plans, there were months, even years of preparation. Teams were assembled, focus groups formed, funding scouted and secured, slogans, digital platforms and networks mapped to ensure the candidate's message could reach as wide an audience as possible. The announcement itself merely flipped the switch on an already constructed, well-oiled machine.

That degree of planning for engagement is the best model for corporate leaders faced with a challenge from an activist investor. The battle is for the hearts and minds of voters, whether citizens or shareholders. The CEO is the incumbent; the activist is the challenger. Instead of speeches in small towns, there are stakeholder meetings; instead of candidate interviews on "Face the Nation," there are CEO spots on CNBC's "Squawk Box."

C-suites around the world are waking up to this reality as activist campaigns increase. Once derided as "corporate raiders" (think Carl Icahn, circa 1985), these high-profile investors have become downright respectable "shareholder activists" (Icahn, circa 2015) and hugely successful at forcing shifts in strategy and structure.

The pool of dedicated activist hedge funds is up 10 times since 2002 to well north of \$100 billion – at least 10 hedge funds have \$10 billion or more each committed to the cause. Recent targets have included Apple, DuPont, eBay, PepsiCo, Yahoo! and Microsoft. If Icahn can force change at Apple – the most respected company in the world, according to a *Barron's* survey of institutional investors – then almost no company is safe.

If you are a company leader, you are the incumbent office holder. The challenger will have new ideas, deep pockets, a media eager to cover his campaign and he will want you out. You need an ABC strategy: always be campaigning.

And make no mistake: if Icahn or Dan Loeb or Paul Singer do come calling, a broad, coordinated effort, worthy of a major political campaign will be required to fend them off. You'll need to hit the road to see investors, talk to the media, devise a social media strategy and start lobbying. You will need fact sheets, infographics and talking points. Online, offline, on the air, on Wall Street – the odds are against you, so your campaign must be intense.

Activists will begin planning their campaign as much as a year ahead of a potential vote. You will need to be equally prepared. The first time you become aware of the activist's challenge, your

opponent will already have a thick dossier in his hands – the dreaded white paper – detailing all of your company’s failings (see Page 26). He may even have set up a website. If any of his findings come as a shock, you haven’t done your homework.

Knowing your company’s vulnerabilities isn’t rocket science. Activists look for cash-laden balance sheets, underperforming fundamentals, sagging share prices and complex operations that might be better if they were split up. Take an objective look at your company’s business.

Get others to do the same. It will take a crack team to manage an activist challenge. Talk to your bankers. Pick a law firm. Find a proxy solicitor. Ask them to take a hard look at your company – you might be more at risk or have more options than you realize. Don’t overlook board members, CEO peers and other leaders who have been through this before and who can give you valuable advice.

The activist will get personal. Know the professional track records of your management team, and be prepared to defend them.

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Evaluate your largest shareholders – know who you can count on to support the board and management team. Make sure key players know in advance what their responsibilities will be when an activist comes. Identify the dissenters and let them see that you understand their concerns.

When the time comes, you’ll need to show that you are taking the activist seriously and judging his argument on its merits. Prepare your support network for the possibility of a compromise.

The goal is to be able to frame your response confidently and clearly within your company’s overarching message, knowing that your campaign machine is actively supporting you, reiterating your points through pre-established channels.

Assume the activist will be equally prepared. Your ability to hold him off will depend on how well you conduct your campaign and convince investors you are right.

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Bumper stickers? Maybe not, but you will need a coordinated political-style strategy

LEAD FROM THE TOP

The CEO should be on point and available to the media and investors. Carl Icahn, for one, is happy to talk to reporters. He appears frequently on cable networks to press his case – to campaign. You do not want his screeds to go unanswered. The CEO’s voice is the strongest.

TELL YOUR STORY BEFORE SOMEONE ELSE DOES

Have one well-honed message and stick to it. Investors have to be convinced that the activist’s argument is risky. You will need to be clear, persuasive and consistent. Make sure everyone on your team is singing the same tune.

FRIENDS AND ALLIES

Political operatives show up on Sunday chat shows to make the case for candidates. You need the equivalent, only on CNBC, Bloomberg TV and Fox Business. Line up board members, analysts, academics and business partners – as long as they can act as your advocates.

BE PROACTIVE

Engage with deal reporters. Talk to them on the record when you can, and give them guidance off the record when required. Keep them in the loop.

WORK THE CROWD

Hit the road. Press the flesh. You need to get in front of your shareholders to plead your case.

USE SOUNDBITES

What’s the elevator version of your stump speech? Use the fewest words to communicate your argument’s most powerful points.

THINK SOCIALLY

Facebook, LinkedIn, Twitter and blog posts can help shore up support. Ask allies to use social media to reinforce your position.