Quasi-Insider Shareholder Activism: Corporate Governance at the Periphery of Control*

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Abstract

We document the role of investors at the periphery of control within a firm - "quasi-insiders" - in shareholder activism. These agents, who include founders and former executives, launch campaigns in smaller and worse-performing firms than traditional hedge fund activists, and seek greater control and employ more aggressive tactics. While they are less likely to achieve the stated objectives of their campaigns, their campaigns are associated with positive abnormal returns larger than those in hedge fund campaigns and subsequent improvements in operating performance. The presence of a quasi-insider as a blockholder is associated with a significant increase in CEO turnover-performance sensitivity. Overall, our results suggest that quasi-insiders play a meaningful role as activists, especially in firms that are less likely to be targeted by hedge funds.

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1 Introduction

Corporate governance experts typically delineate between insiders and outside investors when characterizing a firm's corporate control structure (e.g., Becker et al. (2011), Clifford and Lindsey (2016)). Insiders have access to private internal information and exert direct control over decisions within the firm. Outside investors lack access to internal information and must rely on the firm's corporate governance levers to exercise control. This binary taxonomy is natural, as it reflects the canonical separation of ownership and control in the modern corporation. However, it masks the presence of agents in the control structure who have some characteristics of insiders but do not exercise formal control. These "quasi-insiders," who operate at the periphery of control, include founders and former executives who may still have both access to inside information and influence as a result of their connections within the firm. They also include non-executive directors, who rarely exert control directly over corporate decisions but have access to information and may be able to use governance structures, including board actions, to induce change.[1]

Because of their informational advantage and ability to influence decision-making, quasi-insiders have the potential to play a significant role in the corporate governance process. They may play an especially important role in smaller firms, where the potential dollar returns to engaging in activism are often too small to attract the attention of activist hedge fund. The presence of quasi-insiders, even when passive, may influence decision-making by insiders because of the threat of governance action. This influence may be positive, if the threat of action spurs insiders to act in shareholders' best interest. It can also be negative, as managers may distort their decisions in response to having well-informed, potentially-activist quasi-insiders continuously "staring over their shoulders." They may also increase opacity in order to limit the availability of information that quasi-insiders might use to publicly question management's decisions and/or performance.

This paper takes a first step towards understanding the role of quasi-insiders in corporate governance by studying activist campaigns that they initiate. We begin by characterizing these activists, the firms they target, their objectives, and the tactics they employ, using activist hedge funds as a benchmark (e.g. Klein and Zur

[1]Directors are often classified as insiders in corporate governance studies because they are employees of the firm. However, we define insiders more narrowly, as those who routinely exert direct control over decision-making. Thus, for our purposes, non-executive directors that are founders or former executives fit in the category of quasi-insiders.

(2009)). The majority of our sample of quasi-insiders consists of founders, former CEOs, and former board chairs. Unlike hedge fund activists, who often buy stakes in firms with the intent of launching activism campaigns, these quasi-insiders often already hold stakes in the firms they target.

Compared to firms that activist hedge funds target, firms in which quasi-insiders initiate activism campaigns tend to be smaller and have less institutional ownership. Fixed costs of initiating campaigns may dissuade hedge funds from targeting smaller companies, and hedge funds generally prefer to target firms with high institutional ownership. These findings, then, support the argument that quasi-insiders play a complementary role to hedge fund activists by exerting pressure on firms that hedge fund activists are likely to ignore. However, accounting and stock return performance tends to have deteriorated substantially more at firms targeted by quasi-insiders by the time they are targeted than at firms targeted by hedge funds, suggesting that the threshold level of deterioration for intervention is greater for the types of firms that quasi-insiders target.

Quasi-insiders are much more likely to seek some degree of control when they embark on activism campaigns rather than just inducing one-time actions, such as dividend payments. They seek at least some board representation in 59.3% of the campaigns they undertake, compared to 26.7% of hedge fund activism campaigns. They seek outright control of the board 30.5% of the time, compared to only 7.7% for hedge fund activism campaigns. This tendency to seek control could naturally reflect the fact that quasi-insiders are well-informed about the firm by virtue of their experience as insiders. Theories of the allocation of authority typically suggest that control should be allocated to more informed parties whenever possible (Aghion and Tirole (1997), Dessein (2002)). Alternatively, it may reflect egoistic behavior, with quasi-insiders overestimating their informational advantage and skill at directing the firm's activities.

Next, we examine the consequences of quasi-insider initiated campaigns. Cumulative abnormal returns associated with the announcement of these campaigns are significantly positive and similar to those for hedge-fund initiated campaigns, on average (7.2%, vs. 6.3% for hedge-fund campaigns). Further, campaigns in which the quasi-insider seeks to gain more control, either by winning board seats or by forcing a sale to that individual, are associated with abnormal announcement returns even larger thatn those of similar campaigns initiated by activist hedge funds (8.9% for quasi-insider campaigns and 6.8% for hedge fund campaigns).[2]

Consistent with the market's response, we also find evidence of substantial improvements in long-run performance after control-seeking campaigns initiated by quasi-insiders. After declining consistently over the three years leading up to these campaigns, industry-adjusted return on assets increases by five percentage points, on average, between the year of one of these campaign and the year after. This improvement lasts for at least three years. We do not observe such reversals for firms with similar declines in performance that are not subject to activism campaigns. We also do not observe comparable improvements in performance after hedge fund-initiated campaigns, suggesting that detectable improvements in operating metrics are unique to quasi-insider campaigns.

Our focus on quasi-insiders helps to address concerns about interpreting the consequences of activism campaigns. Traditional activists choose which firms to target. Moreover, they often acquire stakes in their targets coincident with launching an activism campaign (Cohn et al. (2016)). Thus, their actions may convey information about a firm's future prospects, complicating interpretation of campaigns announcement returns and longer-run changes in performance. A quasi-insider, in contrast, can only target a firm with which she has a prior connection, and these investors typically already hold stakes in the companies they target. So, while the decision to target a company is still potentially endogenous, decisions about *which* company to target and the accumulation of an ownership stake can be treated as exogenous for the purpose of our analysis.

We examine the likelihood that quasi-insider activists achieve the stated objectives of their campaigns. They are significantly less likely than hedge-fund initiated campaigns to successfully achieve their objectives. This relative lack of success could reflect the fact that their objectives tend to be more ambitious, on average, than those of hedge fund activists. The market may also view these campaigns with more suspicion, as these campaigns are more likely than hedge fund campaigns to be motivated by the activist's ego, given quasi-insiders' history with the firm. Quasi-insiders may also simply have a lower bar for initiating campaigns if a relative informational advantage makes the cost of undertaking a campaign low.

Finally, we examine whether the impact of having a quasi-insider present in a firm's ownership structure on firm governance. Fahlenbrach et al. (2011) document that the sensitivity of CEO turnover to firm performance

[2]The quasi-insider seeks board representation in 52 of these campaigns, board control in 46, and a sale to herself in eight.

is greater if a former CEO of the firm is on its board of directors. Their finding is consistent with our broader hypothesis that former insiders can play a disciplining role in firm governance. We find that the increase in the sensitivity of the probability of CEO turnover to firm performance is an order of magnitude greater when a former CEO is a blockholder but is *not* on the board than when a former CEO is on the board. A one-standard deviation drop in return-on-assets relative to the industry mean is associated with an 0.5% increase in the likelihood of turnover when neither of these conditions is satisfied, a 1.6% increase when a former CEO is on the board, and a 13.3% increase when a former CEO is not on the board but is a blockholder. The increased sensitivity in the last case is robust to controlling for firm, industry-year, and CEO tenure cohort fixed effects.

Overall, our results suggest a previously-unexplored mode of activist governance that appears relevant in the types of firms that activist hedge funds are naturally less inclined to target in activist campaigns. These quasi-insider activists appear to be more aggressive in their campaigns than activist hedge funds and to be effective in inducing improvements in value and profitability. Further analysis of the implications of having quasi-insiders in a firm's ownership structure, even when they are not engaging in activism, would further round out our understanding of the implications of having these agents as governance providers.[3]

Our paper contributes to the literature on shareholder activism. Most research in this literature examines activism by arm's-length investors such as hedge funds (e.g. Brav et al. (2008), Klein and Zur (2009)) and pension funds (e.g. Carleton et al. (1998), Gillan and Starks (2000)). Broader papers often explicitly exclude activists with inside connections from their analysis (Clifford and Lindsey (2016)) or consider current but insiders but not those with prior relationships (von Lilienfeld-Toal and Schnitzler (2015)). Our results are the first to our knowledge to demonstrate that activism by these quasi-insiders can play a meaningful role in governance, especially in smaller firms that traditional hedge-fund activists are likely to ignore. Thus, they appear to complement the role of more traditional activists such as hedge funds.

Our paper is also related to recent work by von Lilienfeld-Toal and Schnitzler (2015), who examine announcement returns around all 13D filings from 1985 through 2012, for different types of filers. They find that the identity of the filer is less important than the size of the stake and the complexity of the case (as proxied for by

[3]We are currently collecting additional information from 13Ds filings on the holdings of quasi-insiders as well as other indications of their "presence" in an effort to assess their role outside of full-blown activism campaigns.

the length of the filing text). Our paper, in contrast, examines actual activism campaign announcements, which often occur either before or several years after the filing of a 13D filing. Moreover, our thorough hand-classification process allows us to go beyond their analysis and shed light on important aspects of the campaign such as the identities of the activists, the characteristics of the targets, the purpose of the campaign, the tactics employed, and the outcome.

If the quasi-insider initiated campaigns we observe materialize only after a series of less confrontational tactics have been attempted (e.g. Gantchev (2013)), this suggests that insider-led governance efforts are likely to be more frequent and pervasive than we observe. Insider activism may therefore represent the tip of a large iceberg that represents the active involvement of quasi-insiders in corporate governance. Therefore, a broader implication of our paper is to add insider activism to the existing view of corporate governance, which encompasses board monitoring of managers (e.g. Adams et al. (2010)), compensation incentives (e.g. Jensen and Murphy (1990)), the market for corporate control (e.g. Jensen and Ruback (1983)), activist outside investors (e.g. Black (1998)), and regulation (e.g. Larcker et al. (2011)).

2 Shareholder Activism

This section describes the shareholder activism campaign process in general. This discussion can easily be skipped by those already familiar with shareholder activism. It also discusses the potential role of quasi-insiders in activism, the novel element of our paper.

2.1 Shareholder Activists and Activism Campaigns

Shareholder activism encompasses a variety of activities that shareholders undertake in an effort to bring about a change in the management, structure, or operations of a firm (see Gillan and Starks (2000) for a thorough discussion). Many of these activities take place behind the scenes, as activists engage with management informally to influence corporate decisions towards their agenda. However, in some cases, activists wage public activism campaigns, often after exhausting attempts to induce change through informal engagement with management.

These public campaigns are typically classified into three types: proxy fights, exempt solicitations, and other stockholder campaigns.

Proxy fights are the most involved and costly mode of shareholder activism. In a proxy fight, the activist (or "dissident") shareholder formally proposes a resolution to be voted upon at the company's annual meeting by filing Schedule 14A with the Securities and Exchange Commission. The dissident then attempts to procure votes in support of its resolution by soliciting the "proxies" of other shareholders (few of whom actually attend the annual meeting in person).

Proxy contests can be classified based on their objective. In a *control contest*, the dissident shareholder seeks to acquire a majority of seats on the board of directors, which would effectively give the dissident control of the company. In a *short-sale contest*, the dissident seeks to acquire board seats, but not enough to gain a majority of the director positions. In an *issue contest*, the dissident seeks to win shareholder approval of a resolution relating to a specific operational or structural issue. Examples of issue contests include those proposing an increase in dividends to shareholders or the curbing of executive compensation. Votes on these issue-related proposals are typically non-binding on management, though they often do lead to change (Ertimur et al. (2010)). The vast majority of proxy fights are either issue contests or short-sale contests.

In contrast to proxy contests, exempt solicitations and other stockholder campaigns do not involve attempting to pass a formal resolution. An exempt solicitation campaign entails communicating with other shareholders of the company regarding an issue without formally soliciting proxies. Other stockholder campaigns are campaigns in which the dissident does not interact directly with other shareholders. A typical example of other stockholder campaigns includes a press release detailing a letter the activist sent to management with requests for corporate change. This is considered to be a less costly form of activism than a proxy contest, but more expensive than publicly communicating its intent (Wilcox (2011)).

Many activist campaigns commence with a Schedule 13D filing. An investor is required to file an initial 13D if the investor passes the 5% threshold of beneficial ownership in a publicly listed company and has plans to take an active role. Investors that cross the 5% threshold without any intention of taking an active role can file a shortened Schedule 13G. Activists have an obligation to submit 13D filings within 10 days of crossing the 5%

threshold and the form includes details on the class of securities acquired, the identity of the activist blockholder, the source of funds, a description of their intent, the day they crossed the threshold, and the amount of securities they hold.

Hedge funds manage largely unregulated capital, have the ability to hold concentrated positions, can use financial leverage, and employ derivatives in their portfolios. They also face steep financial incentives and are less likely to be beholden to the management of firms. For these reasons, hedge funds are thought to be particularly effective activists compared to other types of investors (Boyson and Mooradian (2011)). Hedge funds are known to use a sequence of increasingly aggressive and costly tactics to bring about changes at firms they invest in (Gantchev (2013)). They typically start with a conversation with management, which can escalate to more formal communications via press releases and specific proposals if management is unresponsive. If they remain dissatisfied with the management' response they may initiate a proxy fight, litigation, or in some instances, attempt to take complete control of the company themselves.

Existing research (e.g. Brav et al. (2008), Klein and Zur (2009), Clifford (2008), and Greenwood and Schor (2009)) finds that hedge fund activists propose a wide variety of improvements including strategic, operational, and financial. The targets receive large positive and persistent abnormal announcement returns and acquiesce to requests the majority of the time, altering investment strategies and mitigating cash flow agency concerns.

2.2 Quasi-Insider Activism

While institutional investors such as hedge funds launch many activism campaigns, individuals launch such campaigns as well. Some of these campaigns involve individuals with no direct connection to the company. Corporate "gadflies," for example, typically launch low-cost campaigns at companies more as a sign of protest than as a means of effecting meaningful change. However, individuals who have either a prior or current relationship with the firm are responsible for a substantial number of individual-initiated campaigns and, as we demonstrate, these campaigns tend to be serious endeavors. We refer to any individual who has previously served as an officer or director of the firm, founded the firm, or is a current non-executive director of the firm that was a former executive or founder as a quasi-insider. These individuals either lack formal authority or, in the case of current non-executive, have limited authority over firm decisions.

We sketch the details of two activism campaigns that quasi-insiders initiated to provide a more detailed sense of what these campaigns entail. The first is a campaign is a campaign at LCA-Vision that three former executives, one of whom was the founder of the company, launched in 2008. Stephen Joffe, founder and former chairman and CEO, Craig Joffe, former interim CEO, and Alan Buckey, former CFO, combined forces to create the LCA-Vision Full Value Committee. On November 5, 2008 they filed a 13D disclosing an ownership stake of 11% and their intent to talk with management about ways to increase shareholder value. They met with the current chairman of the board on November 13 and issued a press release on November 19, unhappy with the fact that management had not responded to their concerns. On November 21, they disclosed that they had sent another letter to management, indicating that they would take any steps necessary to increase shareholder value. The company responded by adopting a 20% poison pill. On December 4, the committee sent another letter requesting board representation and a special shareholder meeting about the poison pill. Management rejected these requests. On December 17, the dissidents threatened a proxy fight, and the company responded by establishing a rule requiring 90-120 days advance notice for a meeting proposal. On January 16, 2009, the dissidents proposed a replacement slate for the board of directors. However, after failing to get support from the proxy advisory service Glass-Lewis Co., they withdrew the slate on March 26.

The second campaign involves Ron Zwanziger (former Chairman and CEO), and David Scott and Jerome F. McAleer (former officers) of Alere, Inc. In September 2014 they filed a 13-D reporting an ownership stake of 5.9% of the company and disclosed an offer to acquire the company for $46/share in cash or higher, depending on due diligence results. The current Chairman declined a meeting and noted that the company would not provide any due diligence opportunity to the former officers. The Chairman noted that the company would consider any proposal it believed to be genuine and would maximize shareholder value. A month later the group reduced their stake below 5%.

3 Data and Sample

This section describes the data that we use in our empirical analysis. We obtain all activist campaigns from FactSet's SharkWatch corporate activism database announced between January 1, 2000 and December 31, 2015 for which we are able to obtain data on the total assets and book-to-market of target firms from Compustat.[4] We identify 1,962 activist campaigns that hedge funds initiate. This sample of campaigns overlaps with samples that previous papers focusing on hedge fund activism analyze.

We also identify 508 campaigns that SharkWatch flags as involving an individual person as an activist. For each of these campaigns, we gather further information by reading through the campaign synopses and, where applicable, the associated 13D and 14A filings. We supplement these information sources by conducting Google searches on the activists and firms. For each individual activist, we obtain information on any existing or prior relationships between the individual and the target firm. We identify 114 unique campaigns that involve founder, former executives, whom we collectively term quasi-insiders.[5]

We supplement this with by searching through all 13D filings filed by individual investors on EDGAR. For each 13D filing, we match the firm and primary filer to Capital IQ's People Intelligence database, which we use to identify whether the primary filer fits our definition of a quasi-insider (i.e. whether the filer is a founder, former CEO or former executive). For each successful match, we read through the 13D filing and categorize it as being associated with an activism campaign or not. This process yields an additional 21 campaigns that are not included in FactSet, bringing our total number of campaigns to 135.

We collect information about a firm's 4-digit SIC code industry category from Compustat, and use that information to assign the firm to one of 12 broad Fama-French industries. We also collect financial-statement information from Compustat that we use to construct a number of firm-year financial variables. We collect daily firm-level stock return data from CRSP.

[4]The database contains data on all proxy fights against U.S.-incorporated companies announced since January 1, 2000 and all other non-proxy fight activism against U.S.-incorporated companies announced since January 1, 2006.

[5]There are several cases where the same former employee repeatedly "launched" campaigns over several years. For example, a former director of American Express unsuccessfully sought board representation at the company in six consecutive years. We do not view each of these campaigns as independent. To avoid giving undo weight to these cases, we consider these as a single campaign taking place when the activist targeted the firm for the first time.

We collect data on a number of characteristics of the campaigns, activists, and targeted (as well as untargeted) firms. Campaign announcement dates are taken from Factset. 78% of activist campaigns in our sample begin with a 13D filing, which is when the activist group discloses that it has acquired a stake exceeding 5% with active intent. The existing literature has focused on market reactions around 13D filing dates (e.g. Brav et al. (2008); von Lilienfeld-Toal and Schnitzler (2015)). The announcement date recorded for the campaign represents the date on which the activist takes a publicly-disclosed action to commence the campaign, and coincides with the 13D filing date for 48% of the campaigns (37% for quasi-insider activists and 48% for hedge funds). We focus on the announcement date because that is when information about the specific objectives of the activist is typically revealed. In addition, initial 13-D filings are frequently much earlier for quasi-insiders for legal reasons due to their prior relationship with the firm.

We collect information about campaign types, objectives, and duration as well as activist ownership at the time of the campaign. We also assign each campaign to one or, at most, two of 12 narrowly-defined categories, nested into five broader super-categories, based on the stated objective(s) of the activist. To do so, we locate and read FactSet's campaign synopsis, SEC proxy and 13D filings, and press releases matching the FactSet announcement date for the campaign and assess the activist's objective(s). The 12 narrow objective categories are similar to those defined in prior papers (e.g., Brav et al. (2008)).

For each activist target, we obtain accounting data for the campaign target firms from Compustat, return data from CRSP, and institutional ownership 13F data from Thomson Reuters. We correct for known errors in the holdings data.[6] All variables we use are described in Appendix A.

4 Activist, target firm, and campaign characteristics

This section summarizes the sample based on characteristics of the activist, target firm, and campaign. The analysis in this section is primarily descriptive. However, we discuss possible interpretations of the role and mode of quasi-insider activists as well as how these differ from those of hedge fund activists.

[6]See Zykaj et al. (2016), Blume and Keim (2011), and Gutierrez and Kelley (2009) for discussions of issues associated with the Thomson Reuters/WRDS 13(f) data.

4.1 Quasi-insider and target firm characteristics

We begin by describing the relationships that quasi-insiders involved in activism campaigns have with the firms they target. Table 1 summarizes these relationships. Note that these categories are not-mutually exclusive - some individuals fit in multiple categories. Note also that some campaigns include multiple quasi-insiders. Thus, the total number of quasi-insider relationships in campaigns exceeds the total number of campaigns. A former CEO of the target company is involved in initiating 57.0% of these campaigns - the most common quasi-insider relationship. 43.0% of campaigns involve a founder and 47.4% of campaigns involve a former chair of the board. who is no longer employed by the firm. These campaigns also frequently involve former and current directors.

— Insert Table 1 here —

We next describe the firms in our sample. Table 2 reports the breakdown of firms that quasi-insiders and hedge funds target as well as non-targeted firms into 12 Fama-French industry categories. Both quasi-insider and hedge fund activists are disproportionately likely to target companies in the Business Equipment category. Quasi-insiders are more likely to target companies in the Health industry and less likely to target firms in the Durables and Manufacturing categories than hedge funds. However, like hedge funds, quasi-insiders target firms across a broad swath of sectors.

— Insert Table 2 here —

Table 3 reports summary statistics for quasi-insider activist targets (Panel A) and hedge fund activist targets (Panel B) for the year prior to the campaign. Each panel also reports the same statistics for all firm-years for which firms are not subject to activism campaigns for comparison. Asterisks in the "Other Compustat Firms" columns in each Panel indicate statistically significant differences between the targets summarized in that panel and non-targeted firms. Asterisks in the "Hedge Fund Activist Targets" columns in Panel B indicate statistically significant differences between quasi-insider and hedge fund targets.

— Insert Table 3 here —

Several differences are worth noting. First, while hedge fund targets are, on average, about the same size as non-targeted firms, the median quasi-insider target is approximately 1/3 of the size of the median size for each of these groups. This difference suggests that quasi-insiders play a governance role in a different set of firms than hedge fund activists do and rely on a different economic model to generate returns on their investment. Hedge funds tend to target relatively large firms, where they can acquire large positions (in dollar terms) without generating excessive price pressure. Quasi-insiders often already hold substantial stakes in small firms as a result of their prior relationships. Moreover, if their insider knowledge and connections allow them to engage in activism at a lower cost, they can generate sufficient returns to cover their costs with small holdings (in dollar terms). It is not surprising, then, that quasi-insiders tend to hold larger percentage stakes but that their median dollar stake is less than half the size of the median hedge fund activist dollar stake.

Second, while both quasi-insiders and hedge funds tend to target firms with poor recent performance in terms of ROA and stock return relative to other firms, quasi-insider targets tend to have suffered especially poor recent performance on these dimensions. One interpretation of this difference is that fixed costs of intervention make intervening in small firms more costly than in large firms. Thus, even though quasi-insiders plausibly have a lower cost of intervening, holding firm size fixed, they wait until performance has deteriorated more before intervening.

Third, while hedge fund activists tend to target firms with high levels of institutional ownership relative to other firms, quasi-insiders do not. Existing research suggests that hedge funds prefer to target firms with high levels of institutional ownership because they rely on the support of these institutional owners to support their campaigns (Brav et al. (2008)). Because of their inside connections, quasi-insiders may not need to rely as much on institutional investor support to achieve their objectives. Alternatively, institutional investors' mandates may prevent them from investing in the types of smaller firms that quasi-insiders target.

Of course, Table 3 only allows for comparisons of quasi-insider targets, hedge fund targets, and other firms on one characteristic at a time. Many of these characteristics are correlated. Thus, to draw conclusions about the nature of firms that quasi-insiders tend to target and how these differ from hedge fund targets, we next turn to multivariate regression analysis. To do so, we estimate probit regressions, where the dependent variable is equal to one if the firm was targeted by an activist in a given year and zero otherwise. We omit some potential explanatory variables from these regressions, as overlap with some of the included regressors would make interpretation difficult.

We make three pairwise comparisons: (i) quasi-insider targets and untargeted firms, (ii) hedge fund targets and untargeted firms, and (iii) quasi-insider and hedge fund targets. To do so, we estimates logit models for three different samples. We form the first by pooling together all firms targeted by *quasi-insiders*, measuring characteristics the year prior to the campaign, with all firm-years of all firms not targeted during the sample period. We form the second by pooling together all firms targeted by *hedge funds*, measuring characteristics the year prior to the campaign, with all firm-years of all firms not targeted during the sample period. We form the third by pooling together all quasi-insider and hedge fund targets, again measuring characteristics the year prior to the campaign. Table 4 reports the marginal effects from the logit regressions.

— Insert Table 4 here —

We present two separate sets of estimates for each of the three subsamples - one where the explanatory variables are financial characteristics computed using Compustat and one where we add stock returns over the previous year to that set.[7] Models (1) and (4) present these estimates for the pooled quasi-insider target and untargeted firm sample, models (2) and (5) for the pooled hedge fund target and untargeted firm sample, and models (3) and (6) for the pooled hedge fund target and untargeted firm sample.

Consistent with the univariate comparisons in Table 3, firms targeted by quasi-insiders have lower stock returns than both hedge-fund targets and untargeted firms. They also have lower ROA than hedge-fund targets. They also tend to be smaller than both hedge-fund targets and untargeted firms, as in Table 3. The coefficient on Log(Market Cap) when we pool quasi-insider and hedge fund targets loses statistical significance when we add stock returns as an explanatory variable. However, note that mean size as reported in Table 3 does not actually differ substantially across the two groups; only the median does.

[7]Stock returns are not available for all observations in the sample. We therefore estimate regressions without stock returns first to allow us to use as broad a cross section of firms as possible.

4.2 Activist campaign characteristics

Finally, we summarize the characteristics of the campaigns themselves. Table 5 reports separate breakdowns of quasi-insider and hedge fund campaigns by objective category and super-category.

— Insert Table 5 here —

This table reveals that, relative to hedge funds, quasi-insiders are more likely to seek increased control when they launch activism campaigns. They seek full board control in 26.7% of the campaigns they initiate, while hedge funds seek full board control only 7.7% of the time. Quasi-insiders seek at least some board representation 59.3% of the time, compared to 39.8% of the time for hedge funds. They seek to force sales to third parties or a restructuring of the business less frequently. They also seek governance and executive compensation changes and the removal of the CEO or Board Chair more frequently than hedge funds do, though these objectives are relatively uncommon in general.

Table 6 reports the frequency of different campaign types. The breakdown of campaign types indicates that quasi-insider campaigns are much more likely than hedge fund campaigns to take the form of full-blown proxy fights (51.9% of campaigns for quasi-insiders, vs. 26.6% for hedge funds). Activists often initiate full-blown proxy fights in campaigns where they seek board representation. While proxy fights do not always coincide with efforts to gain board representation, the prevalence of proxy fights in quasi-insider campaigns is not surprising given the results in Table 5.

— Insert Table 6 here —

Overall, the results in this section suggest a unique role for quasi-insiders as governance providers. They tend to target smaller firms that traditional hedge fund activists are more likely to ignore. These firms tend to be performing much more poorly when they are targeted. The mode of activism employed by quasi-insider also appears to differ notably from that of hedge fund activists. Quasi-insiders tend to seek greater control and employ more aggressive campaigns. One natural interpretation of these differences is that quasi-insiders are better informed about the strategies, operations, and other features of their targets because of their history with these firms. They may therefore at least view themselves as being better positioned to exert direct control over their targets rather than simply inducing one-time changes. Whether they truly are is an empirical question - one that the next section helps to shed light on.

5 Consequences of quasi-insider activism campaigns

Existing evidence suggests that hedge fund activism campaigns have positive average consequences for shareholders. In this section, we examine the consequences of quasi-insider activism campaigns.

5.1 Abnormal Returns and Share Turnover

We begin by examining abnormal returns around the announcements of quasi-insider campaigns and, for comparison, hedge fund campaigns. Figure 1 plots the cumulative abnormal returns (CARs) as well as the abnormal turnover (see Table A1 for definitions) over the 41 day period centered around the campaign announcement date for quasi-insider and hedge fund campaigns.

— Insert Figure 1 here —

Subfigures (a) and (b) plots CARs and abnormal turnover for all quasi-insider and hedge fund campaign announcements, respectively, in our sample. These graphs indicate that both quasi-insider and hedge fund targets exhibit large CARs over the 41 days around the announcement date, with most of the returns concentrated in the few days around the campaign. Both groups of target firms exhibit some run-up prior to the filing date. The hedge fund activism CARs appear similar to those that Brav et al. (2008) and Klein and Zur (2009) document. Hedge fund targets have slightly greater abnormal turnover in the days preceding the announcement, consistent with quasi-insider already having a large stake in the firm, while hedge funds may be acquiring shares in anticipation of launching a campaign.

Subfigures (c) and (d) of Figure 1 present the CARs separately for two groups of campaigns - those involving control-related objectives and those with other objectives - for quasi-insider and hedge fund campaigns, respectively. We classify campaigns where the activism seeks board representation, board control, or a forced sale of the firm to the activist as control-related. Announcements of the two types of campaigns by hedge funds are associated with similar CARs. However, quasi-insider campaigns are associated with somewhat higher CARs when they are control-related than when they are not. In addition, for quasi-insider campaigns only, more of the abnormal return is concentrated within a few days of the campaign announcement for control-related than for other campaigns. While not conclusive, this evidence points towards obtaining control as being especially important to value creation in quasi-insider campaigns.

Table 7 presents the information in Figure 1 in tabular form, allowing us to interpret the magnitude of the CARs around campaign announcements and assess their statistical significance. The full (-20,+20)-window CAR for quasi-insider campaigns is 7.2% and differs statistically from zero with 96% confidence based on a two-tailed t-test. The (-20,+20)-window CAR for hedge fund campaigns is smaller at 6.3%.

— Insert Table 7 here —

To further understand how quasi-insider campaigns might create shareholder value, we also examine the cross-sectional determinants of campaign announcement CARs using multivariate analysis. Table 8 reports the results from OLS regressions with the dependent variable equal to the CARs in the (-1,+5) and (-10,+10) windows around the campaign announcement in Panels A and B, respectively.

— Insert Table 8 here —

Columns (1) and (2) of each Panel presents estimates for the sample of quasi-insider campaigns, while columns (3) and (4) present estimates for the sample of hedge fund campaigns. Columns (1) and (3) present estimates for all of the campaigns initiated by the type of activist in question, while columns (2) and (4) present estimates for proxy contests only. For quasi-insider campaigns, we find little evidence that announcement returns are related to the objective of the campaign, though the small sample size makes it difficult to conclude that there are no relationships. We also find little relationship between announcement returns and campaign objectives for hedge fund campaigns. The strongest conclusion we can draw is that the CARs are increasing with the activist's ownership stake.

5.2 Operating Performance

Figure 1 and Table 7 suggest that, as with hedge fund campaigns, investors perceive quasi-insider campaigns to create value for shareholders. If this perception is correct, then we should observe changes after activism campaigns that ultimately increase cash flow to shareholders. We next investigate the nature of changes in operating performance after activism campaigns by analyzing the evolution of return-on-assets (ROA) around these campaigns. Figure 2 presents this analysis.

— Insert Figure 2 here —

Subfigure (a) plots trends in industry-adjusted ROA - ROA minus mean ROA for the 4-digit SIC code industry in the same year - from three years before to three years after campaigns.[8] While there are no clear patterns for hedge fund campaigns, industry-adjusted ROA falls sharply from three years before a quasi-insider campaign to the year of the campaign before increasing substantially after the campaign. This reversal could indicate that quasi-insider campaigns arrest and reverse declines in operating performance, a potentially important source of value-creation. However, the decline in industry-adjusted ROA before quasi-insider campaigns raises the concern that the subsequent improvement in ROA could simply reflect mean reversion in performance or the effects of survivorship bias.

We address this concern by constructing a control sample of firms with similar declines in performance over the same time window. Specifically, for each quasi-insider targeted firm, we create a subsample consisting of all untargeted firms in the same 2-digit SIC code industry with total assets that are between 50% and 200% of the targeted firm as of the year it is targeted. We then select the untargeted firm within that subsample with the closest change in ROA from three years before the campaign to the year of the campaign as a control. We pool

[8]We winsorize ROA at the 5th and 95th percentiles to address concerns about large outliers.

together these control firms to form a control sample with a similar trend in pre-campaign ROA by construction. We use the same approach to construct a control sample for hedge fund activism campaigns.

Subfigure (b) of Figure 2 plots ROA (not industry-adjusted) for quasi-insider and hedge fund campaign targets as well as their respective control samples for the three years before to three years after campaigns. For the hedge fund campaign targets, there are no clear trends for either targeted or control firms. Both quasi-insider targets and their controls exhibit a decline in ROA leading up to campaigns. However, while there is a pronounced reversal in the decline for quasi-insider targets after campaigns, such a reversal is less apparent in the control sample. While we cannot rule out mean reversion or survivorship bias attributing to the reversal for quasi-insiders, such distorting influences would have to be absent in control firms experiencing similar declines in ROA pre-campaign.

Figure 1 (a) shows especially pronounced abnormal returns around quasi-insider campaigns in which gaining control is an objective. In subfigure (c) of Figure 2, we plot industry-adjusted ROA around quasi-insider campaigns separately for control-related and other campaigns. The figure shows both a larger decline in ROA pre-campaign and, consistent with the abnormal returns results, larger improvement in ROA post-campaign for control-related campaigns. Overall, then, the patterns in operating performance are consistent with the positive stock market reaction to the announcement of quasi-insider activism campaigns and suggest that these campaign may, in fact, lead to long-run improvements in operating performance.

For completeness, subfigure (d) shows depicts the same trends for hedge fund campaigns. We see some evidence here of ROA improvements after control-related hedge fund campaigns, but the magnitude of this change appears small.

5.3 Other operating and financial metrics

We also examine how other operating metrics evolve around quasi-insider and hedge fund activist campaigns. Figure 3 plots graphs of (a) sales growth, (b) payout, and (c) capital expenditures. All of these metrics are industry-adjusted.

— Insert Figure 3 here —

Subfigure (a) depicts the most noteworthy pattern. Not only does sales growth decline in the three years before quasi-insider campaigns, but so does sales growth. As with ROA, this decline appears to be reversed after quasi-insider campaigns. Such a reversal of sales growth declines is not apparent for hedge fund targets. Subfigure (b) indicates an increase in payouts relative to the campaign year after both quasi-insider and hedge fund campaigns, though there are no obvious pre-campaign trends here, and post-campaign payouts are similar to pre-campaign payouts. Subfigure (c) shows a downward trend in industry-adjusted capital expenditures, starting from high levels relative to industry peers, that continues through the year of the activism campaign.

5.4 Campaign Success

Finally, we examine the success rates of quasi-insider and other activist campaigns in meeting their stated campaign goals and compare these rates to those of hedge fund activists. To measure campaign success, we read through the campaign notes provided by FactSet and supplement the information from this source with news articles about the outcome of the campaign. We classify a campaign as successful if the firm implemented at least one of the activists' stated objectives. Table 9 summarizes the success rates of hedge fund and quasi-insider activist campaigns and breaks this down by the category of the campaign objectives.

— Insert Table 9 here —

Overall, activists in general are more successful in obtaining board representation or control and less successful in campaigns with a general value objective. Quasi-insiders are successful in achieving at least one of their objectives in 44.4% of their campaigns, somewhat lower than the 53.3% success rate of hedge funds in their campaigns, though the difference is not statistically significance. This difference does not simply reflect the fact that quasi-insiders have more aggressive objectives. Analysis of success rate by objective category shows that quasi-insiders are less successful in four of the five objective categories, though the difference is only statistically significant for campaigns where the activist seeks board control.

There are several possible explanations for quasi-insiders' relative lack of success in their campaigns. Even within categories, the objectives of quasi-insiders campaigns could be bolder than those of hedge fund campaigns, making it more difficult for quasi-insiders to win shareholder support. Alternatively, a lack of institutional investor ownership may make it difficult to win the support of shareholders more broadly. Still another possibility is that campaigns initiated by quasi-insiders are sometimes motivated by personal benefits rather than the opportunity to increase firm value, which could make it difficult to win shareholder support.

We extend this analysis to a multivariate setting to further examine how campaign success varies between hedge fund and quasi-insider activists. We estimate a series of campaign-level probit regressions where the dependent variable is an indicator equal to one for successful campaigns and zero for unsuccessful campaigns. Table 10 presents the marginal effects from the estimates of these regressions.

— Insert Table 10 here —

Columns (1) and (2) of each Panel presents estimates for the sample of quasi-insider campaigns, while columns (3) and (4) present estimates for the sample of hedge fund campaigns. Columns (1) and (3) present estimates for all of the campaigns initiated by the type of activist in question, while columns (2) and (4) present estimates for proxy contests only. We include as explanatory variables the campaign objective as well as log market cap and dissident ownership percentage. The omitted objective category is "general value," so all marginal effects reported for each of the objectives should be interpreted as reflecting success rate for that objective relative to campaigns with a general value objective.

The positive marginal effects indicate that quasi-insiders are more successful at achieving all other objectives relative to general value maximization. However, none of these marginal effects is statistically significant. The small sample size likely results in little statistical power to distinguish quasi-insiders' success rates across different objective categories. We do find that quasi-insider campaign success rate declines with firm size, adding further evidence that the main role of quasi-insiders is to provide governance for relatively small firms. Possibly because of the larger sample size, we find at least some evidence that hedge funds are more successful in achieving objectives other than general value maximization. In contrast, hedge fund campaigns tend to be more successful at achieving objectives in larger firms.

6 Presence of Quasi-Insiders and Governance

Section 4 presents evidence documenting the initiation of activism campaigns by agents such as founders, former officers, and current non-officer directors who operate at the periphery of control. Section 5 presents evidence suggesting that these campaigns have positive consequences for current shareholders. However, as with other engaged shareholders, full-blown campaigns likely represent only the tip of the iceberg in terms of quasi-insider governance activities. In this section, we examine the impact of simply having a potentially-active quasi-insider as a shareholder on the tightness of firm governance. Specifically, we examine the responsiveness of CEO turnover to firm performance in firms with these shareholders in their ownership structure.

Using data from Capital IQ's People Intelligence database, we identify all former CEOs and other executives who are not employed by the firm as either an office or director at any point during a given year. We then use data from SEC 13D and 13G filings and subsequent amendments to those filings obtained from SEC's EDGAR filings database to determine whether or not each of these executives owns at least 5% of the firm's stock in the year in question. The structure of this data creates several challenges in determining whether or not an individual is a 5% blockholder at any given point in time.

A shareholder is required to file a 13D or 13G upon accumulating 5% or more of a firm's shares. The shareholder is then required to file an amended 13D or 13G when there is a change in either the ownership level that remains above the 5% threshold or the shareholder's intentions. One challenge is that a shareholder does not file a 13D or 13G when dropping below the 5% threshold, making it difficult to determine when a blockholder ceases to be a blockholder. Another is that the data available from EDGAR begins in 1994. Thus, we do not observe a shareholder's initial 13D or 13G filing if it occurred before 1994.

We identify a former executive as a 13D blockholder in a given year if two criteria are satisfied: (i) the first 13D filing we observe for that individual occurs during and before that year, and (ii) we observe at least one 13D or 13G filing for that individual after that year. We define all years after the last 13D or 13G filing for an individual as missing, since we do not know whether the individual continues to remain above the 5% threshold and simply has no further changes in ownership or purpose to report beyond that point. Since we are unlikely to observe the first filing for an individual early in the window for which EDGAR is available, we only attempt to classify blockholders for years staring in 2000.

Our primary analysis focuses on former CEOs. For each firm-year in the sample from 2000 through 2017, we define an indicator variable $FCEO - 13D$. This variable takes a value of one if a former CEO not currently employed by the firm is a 13D blockholder based on the definition in the previous paragraph in the given year. It takes a value of zero if the firm does not and has not had a former CEO as a 13D blockholder based on that definition. Finally, we set $FCEO - 13D$ to undefined for a firm-year if the firm had a former CEO as a 13D blockholder in any prior year but does not, based on our definition, in the current year. In many cases, an individual we identify as a 13D blockholder likely remains a blockholder beyond the year of her last 13D or 13G filing. However, since we cannot determine this, we set $FCEO - 13D$ to undefined in these cases to be conservative.

This approach identifies 184 firm-years at 106 unique firms where a former CEO not currently employed by the firm is a 13D blockholder, i.e., where $FCEO - 13D = 1$. We note again that because of our conservative approach to classifying 13D blockholders in a given year, there are certainly many firm-years where we set $FCEO - 13D$ to undefined where a former CEO is, in fact, a blockholder. We also use alternative measures of the presence of former executives as blockholders, described below. We therefore define more broadly the indicator $QIBlockholder$, which we then set equal to $FCEO - 13D$ in our base analysis.

Our firm-year performance measure is *RelativeROA*. We compute this variable as follows. First, we define the firm-year variable ROA (return-on-assets) as the sum of net income before extraordinary items (*ib*) and depreciation (*dp*), divided by lagged total assets (*at*). Second, for each 3-digit SIC code industry in each year, we compute the cross-sectional mean and standard deviation of ROA for all firms in the industry in the year. Third, we compute *RelativeROA* for a firm-year as the firm's ROA in that year minus mean ROA for the firm's 3-digit SIC code industry, divided by the standard deviation of ROA for the 3-digit SIC code. Thus, *RelativeROA* represents a standardized z-score for the firm's accounting performance in a given year relative to its industry and has a mean of zero and standard deviation of one by construction.

Finally, we identify CEO turnover events using the Capital IQ People Intelligence data. We set the firm-year indicator $CEOTurnover$ to one if the firm experienced a CEO turnover event during a given year and to zero otherwise. We then estimate several OLS regressions of $CEOTunover$ on lagged $RelativeROA$, lagged $QIBlockholder$, and the interaction of the two. In estimating these regressions, we exclude firm-year observations where the current CEO has been in place for less than two years as of the beginning of the year. A CEO is unlikely to be terminated for poor performance within the first couple of years of her tenure, and turnover so early in a CEO's tenure likely indicates that CEO was an interim CEO. We estimate linear probability models rather than probit or logit models both for ease of interpretation and so that we can incorporate fixed effects into our regressions. However, the results are similar if we estimate probit or logit models as well. Table 11 presents the results from the regressions. We present standard errors clustered at the firm level below each point estimate in the table.

— Insert Table 11 here —

In all of the regressions, we include 3-digit SIC code by year fixed effects to sweep out any time-series variation in turnover within an industry. Column (1) presents the base result. The coefficient on $RelativeROA$ is negative and statistically significant at the one percent level, indicating that CEO turnover events are more likely in years when a firm's performance is poor relative to its peers. The coefficient on the interaction of $QIBlockholder$ and $RelativeROA$ is negative, large, and statistically significant at the one percent level, indicating that CEO turnover is much more sensitive to performance when a former CEO who is not currently employed by the firm is a 13D blockholder. To put the coefficients into context, a one-standard deviation drop in performance is associated with a 0.6% increase in the probability of CEO turnover absent such a blockholder but with a 13.4% increase when such a blockholder is present.

For comparison, in column (2), we add an indicator for whether a former CEO is on the firm's board of directors in a given year ($FormerCEODir$) and its interaction with $RelativeROA$. Fahlenbrach et al. (2011) present evidence that CEO turnover is more likely when a former CEO is on the board of directors. This evidence coheres with our broader hypothesis that former insiders now a the periphery of control in general contribute to firm governance. Confirming these results, we find that CEO turnover is more sensitive to performance when a former CEO is on the firm's board. However, the increase in sensitivity when a former CEO is not employed by the firm but is a 13D blockholder is more than ten times as large (-0.128, vs. -0.011).

Columns (3) through (8) present estimates from several permutations of the regression in column (2). In column (3), we add firm fixed effects, in addition to the industry-year fixed effects. In column (4), we further add CEO tenure cohort fixed effects. That is, we include separate indicators for whether the current CEO has been in place exactly three years, exactly four years, exactly five years, etc. Thus, in this regression, we are only comparing a CEO to other CEOs who started in the same year. We include all three sets of fixed effects in the final four regressions.

In column (5), we relax the criteria for $QIBlockholder = 1$ slightly, by including observations where a former CEO has filed either a 13D or 13G form in the past (instead of just a 13D form). We refer to this variant of the $QIBlockholder$ measure as $FCEO - 13D/G$. This relaxation increases the number of firm-years for which $QIBlockholder = 1$ slightly from 184 to 196. In column (6), we restore the requirement that the individual have filed a 13D but include all former officers instead of just CEOs. We refer to this variant of the $QIBlockholder$ measure as $FOFF - 13D$. Including all former officers increases the number of observations for which $QIBlockholder = 1$ to 252.

We reset $QIBlockholder$ to $FCEO - 13D$ in columns (7) and (8). In column (7), we drop the requirement for inclusion in the sample that the current CEO have been in place for at least two full years. This increases the sample by slightly less than 24,000 observations. Finally, in column (8), we reclassify turnover events where the outgoing CEO became CEO at a large firm (based on total assets) within the next year as non-turnovers to reflect the idea that these turnover events are unlikely to have represented the firing of the CEO. This reclassification reduces the number of CEO turnover events in the sample from 9,887 to 8,209.

The coefficient on the interaction of $QIBlockholder$ and $RelativeROA$ remains large and negative in all of these regressions. It is statistically significant at the one percent level in all of these regressions except for the one in column (8), where we tighten our definition of CEO turnover. It is worth noting that the coefficient on the interaction of $FormerCEODir$ and $RelativeROA$ ceases to be statistically significant once we add firm fixed effects. Thus, the relationship between CEO turnover-performance sensitivity and the presence of a former CEO on the board appears to be valid only cross-sectionally.

Overall, the results in Table 11 support the hypothesis that having a former CEO (or other officer) who is now an outsider as a blockholder makes CEO turnover much more sensitive to firm performance.

7 Conclusion

We document that quasi-inside investors employ tactics similar to those used by other activist investors to bring about changes in firm policies. Because hedge fund activism is a widely discussed and studied form of activism, we contrast the activities of quasi-insider activists with hedge fund activists. Quasi-insider activists are more likely to seek to strengthen their influence over the firms and employ more aggressive tactics in order to accomplish this. This suggests that insiders play an active role in corporate governance, though in doing so, they are less successful than hedge fund activists in meeting their stated objectives. However,quasi- insider activists play a potentially complementary role to hedge fund activists because they target different types of firms and are associated with improvements in value and performance.

Like other activists, quasi-insider activists are likely to first attempt to achieve their goals through less confrontational and less costly means in private. The governance efforts that we observe in the form of quasi-insider activist campaigns are therefore likely to represent a possible minority of instances where such efforts have failed and then spilled over into the public domain, a tip of a large iceberg. The increased sensitivity of CEO turnover to firm performance when a former executive is a non-insider blockholder is indirect evidence of the broader ways in which quasi-insiders may exert control. However, they may also exert control in other ways that are even more difficult to observe. Our study is thus likely to underestimate the true extent of quasi-insider-led governance efforts, and further research is needed to understand what takes place in the private domain.

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Appendices

A Variable Definitions

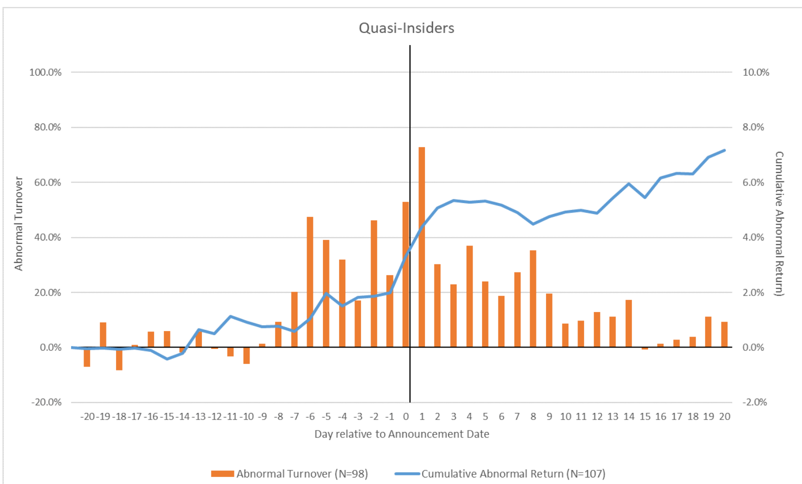
Table A1: Variable Definitions *
This table contains the definitions and descriptions of the variables used in the paper.

Variable	**Definition**
Abnormal Turnover	Daily turnover is calculated as daily trading volume divided by shares outstanding. Abnormal daily turnover in the event period is measured relative to the average daily turnover for that firm during the (-100,-40) period relative to the event date (Source: CRSP).
CAPEX	The target firm's capital expenditures divided by total assets (Source: Compustat).
CAR(-i,+j)	The cumulative abnormal return from day -i to day +j relative to the campaign announcement computed using event study methodology with the market model (Source: CRSP).
Cash	The target firm's cash and short-term investments divided by total assets (Source: Compustat).
Debt	The sum of the target firm's long-term debt and debt in current liabilities divided by total assets (Source: Compustat).
Dissident (Dollar) Ownership	The fraction (dollar value in millions) of the target company's shares collectively owned by all the activists involved at the time that the campaign was announced (Source: Factset).
Dividend Yield	The sum of the target firm's common and preferred dividends divided by the sum of the market value of common equity and preferred equity (Source: Compustat).
Institutional Ownership	The percent of shares held by institutions that file with a 13-F (Source: Thompson Reuters).
(Log) Market Cap	The (natural log of) market capitalization in millions of dollars of the target firm at the end of the fiscal year before the campaign (Source: Compustat).
Payout	The target firm's total dividends divided by income before extraordinary items (Source: Compustat).
R&D	The target firm's research and development expenses divided by total assets; set equal to zero when missing (Source: Compustat).
ROA	The target firm's net income divided by total assets, return-on-assets (Source: Compustat).

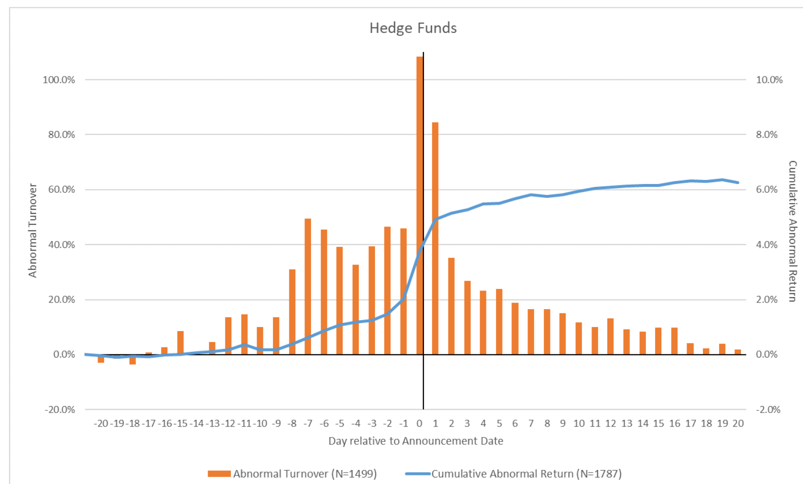
Sales Growth	The change in the target firm's sales between year t and year t-1 divided by sales in year t-1 (Source: Compustat).
Stock Return	The buy-and-hold return in the year prior to the campaign announcement in excess of the value-weighted CRSP index return, computed using monthly return data (Source: CRSP).

Figure 1: Campaign Announcement CARs and Abnormal Turnover

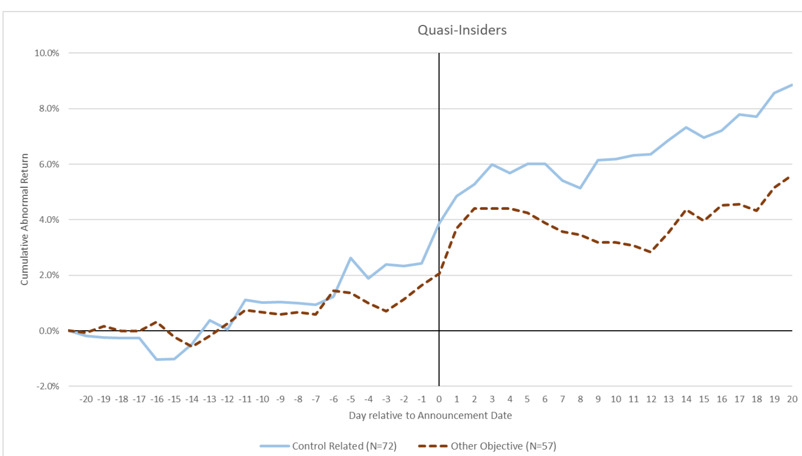
This figure plots the cumulative abnormal returns (CARs) and abnormal turnover around the announcement date for hedge fund and quasi-insider activist campaigns, starting 20 days before and ending 20 days after the announcement date. The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign. The sample is further restricted to firms for which data are available on returns/turnover in CRSP (see Table A1 for definitions), resulting in 107/98 quasi-insider activist and 1787/1499 hedge fund activist campaigns. CARs and abnormal turnover are winsorized at the 5th and 95th percentiles each day relative to the announcement. Figure (a) plots the data for quasi-insider campaigns and (b) plots data for hedge fund campaigns. Figures (c) and (d) plot the CARs separately by the type of campaign objective for quasi-insider and hedge fund activist campaigns. Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings (see Table 5). Control related campaigns consist of those with the objectives of obtaining board representation, board control, or seeking the sale of the target firm to the activist. Other objective consists of all other objectives.



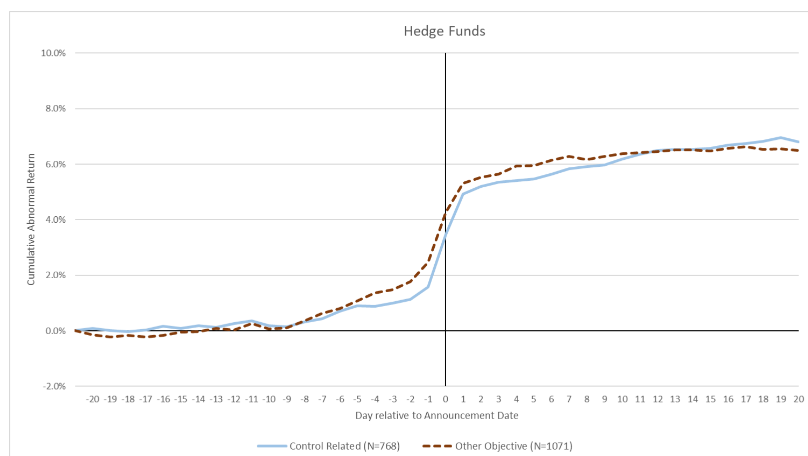
(a) Quasi-Insiders



(b) Hedge Funds



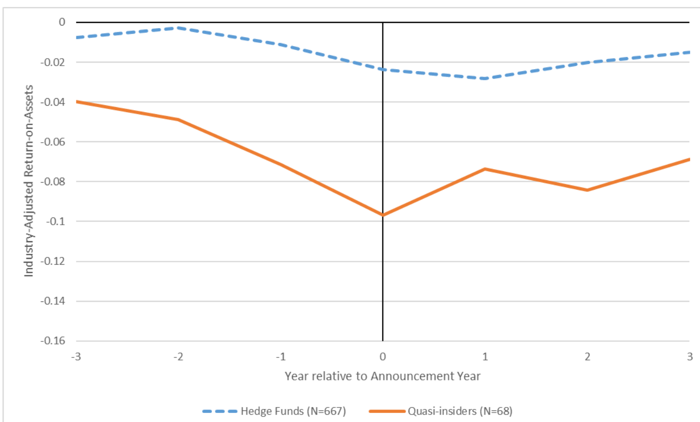
(c) Quasi-Insiders by Objective



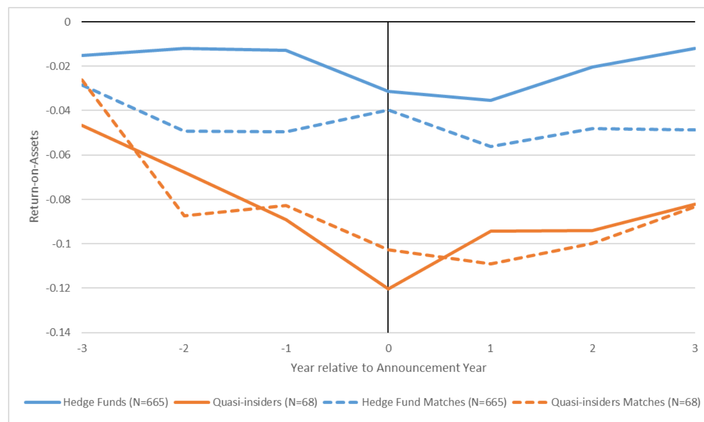
(d) Hedge Funds by Objective

Figure 2: Operating Performance - Return-on-Assets

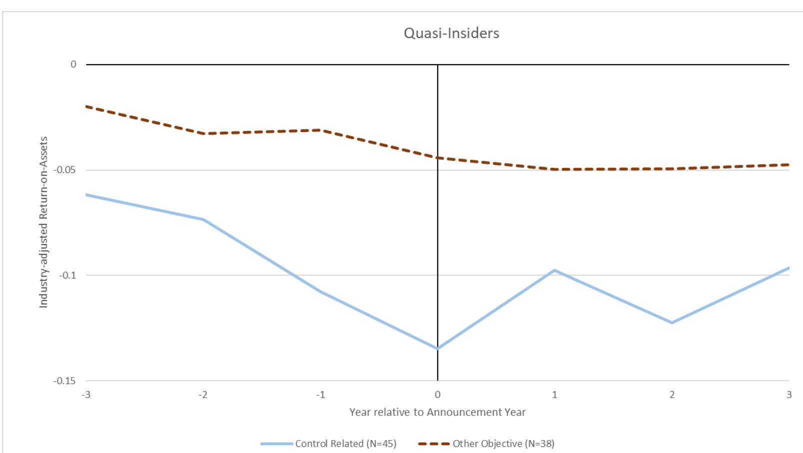
This figure plots the average Return-on-Assets (ROA) around the hedge fund and quasi-insider activist campaigns, starting 3 years before and ending 3 years after the fiscal year during which the campaign was announced. The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign. The sample is further restricted to firms for which data on ROA is available every year for the period starting 3 years before and ending 3 years after the fiscal year during which the campaign was announced, resulting in 68 quasi-insider and 664 hedge fund activist campaigns. ROA is computed as net income divided by total assets and is adjusted annually by the median ROA of firms in the same 4-digit SIC industry and winsorized at the 5^{th} and 95^{th} percentiles every year. Figure (b) plots the ROA (not industry-adjusted) for hedge fund and quasi-insider activist targets and a matched sample of firms for each group. Matches are selected as the firms inside the same 2-digit SIC industry within 200% of total assets of the target, that are closest in their change in ROA from years -3 to 0 to the target firms. (b) only includes target firms with a match available. (c) and (d) plot the industry-adjusted ROA separately by the campaign objective for quasi-insider and hedge fund activist campaigns. Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings (see Table 5). Control related campaigns consist of those with the objectives of obtaining board representation, board control, or seeking the sale of the target firm to the activist. Other objective consists of all other objectives.



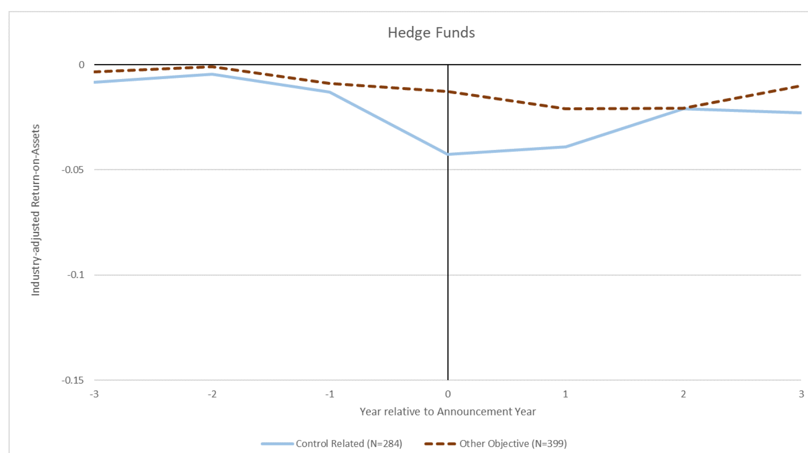
(a) Quasi-Insiders vs. Hedge Funds



(b) Quasi-Insiders and Hedge Funds vs. Matches



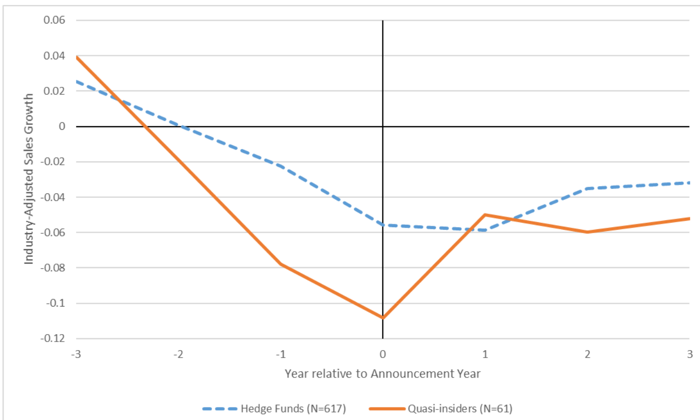
(c) Quasi-Insiders by Objective



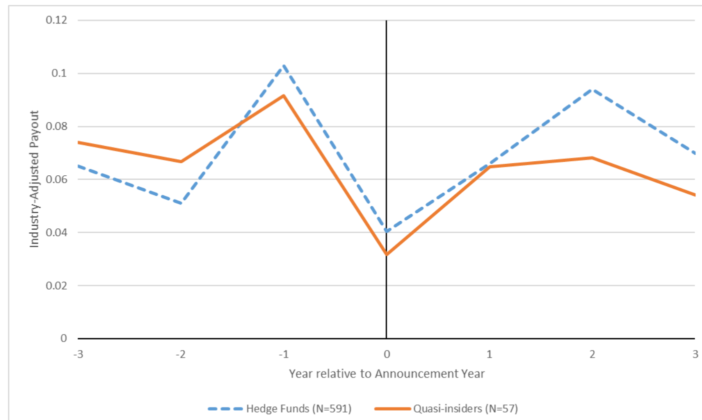
(d) Hedge Funds by Objective

Figure 3: Other Operating Characteristics

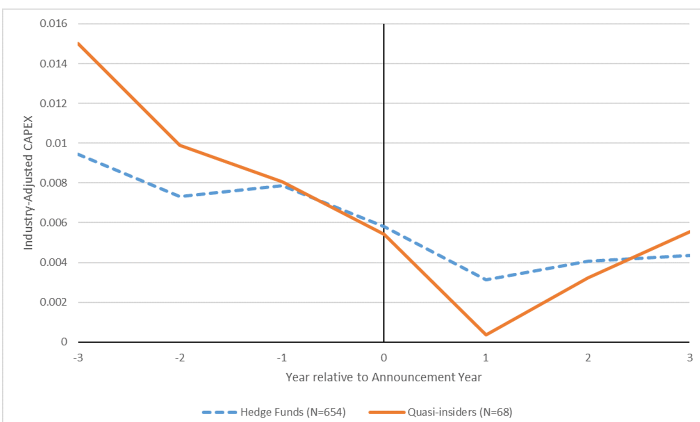
This figure plots Sales growth (a), payout (b), CAPEX (c) and debt (d) around the hedge fund and quasi-insider activist campaigns, starting 3 years before and ending 3 years after the fiscal year during which the campaign was announced. The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign. The sample is further restricted to firms for which data on the plotted firm characteristic is available every year for the period starting 3 years before and ending 3 years after the fiscal year during which the campaign was announced ((b) excludes firms with non-positive income before extraordinary items), resulting in 61/57/68/68 quasi-insider and 617/591/654/654 hedge fund activist campaigns in panel (a)/(b)/(c)/(d). All variables are defined in Table A1 and adjusted annually by the median values for firms in the same 4-digit SIC industry and are winsorized at the 5$^{\text{th}}$ and 95$^{\text{th}}$ percentiles every year.



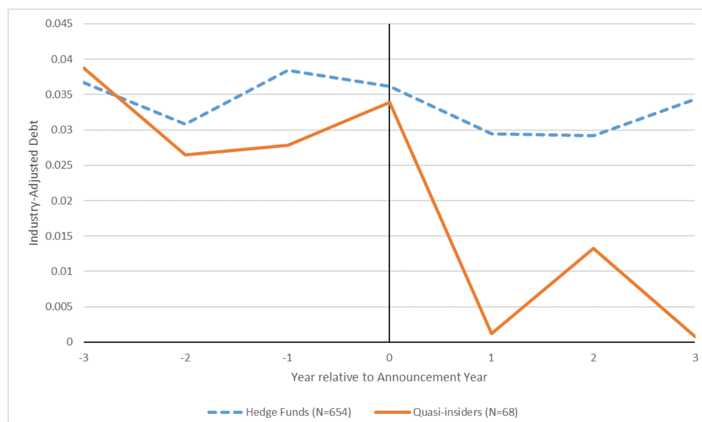
(a) Sales Growth



(b) Payout



(c) CAPEX



(d) Debt

Table 1: Quasi-Insider Activists' Relationships with Target Firms

This table summarizes the relationships of quasi-insider activists with the target firms. The sample consists of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm. The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider activist campaigns. Information on the activists relationships to target firms is obtained from FactSet campaign synopses, SEC 13D and proxy filings, and web searches. The relationship classifications are not mutually exclusive because quasi-insiders may have multiple relationships with a firm or a campaign may include multiple quasi-insiders.

	N	% of Quasi-Insider Campaigns
CEO	77	57.0%
Chair	64	47.4%
President	32	23.7%
Current Director	41	30.4%
Former Director	41	30.4%
Officer/Other Employee	44	32.6%
Founder	58	43.0%
Total	135	

Table 2: Industry Breakdown

This table summarizes the industries to which firms targeted by hedge fund and quasi-insider activists belong, using is the Fama-French 12 industry classification. The sample consists of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample of activist campaigns is restricted to those for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider and 1962 hedge fund activist campaigns. Data on the industry composition of the rest of the Compustat universe, excluding activist target firms, is also reported in the last column.

Fama-French industry code (12 industries)	**Quasi-Insiders**		**Hedge Funds**		**Other Compustat Firms**
	N	%	N	%	%
1 Non Durables	8	5.9%	77	3.9%	4.2%
2 Durables	1	0.7%	45	2.3%	2.0%
3 Manufacturing	4	3.0%	151	7.7%	8.1%
4 Energy	6	4.4%	77	3.9%	3.8%
5 Chemicals	0	0.0%	42	2.1%	1.9%
6 Business Equipment	25	18.52%	435	22.2%	16.9%
7 Telecoms	3	2.2%	83	4.2%	3.1%
8 Utilities	1	0.7%	12	0.6%	2.3%
9 Shops	13	9.6%	262	13.4%	7.6%
10 Health	28	20.7%	212	10.8%	9.7%
11 Money	28	20.7%	315	16.1%	28.7%
12 Other	18	13.3%	251	12.8%	11.9%
Total	135		1962		

Table 3: Summary Statistics by Activist Type

This table reports summary statistics on characteristics firms targeted by hedge fund and quasi-insider activists. The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider and 1962 hedge fund activist campaigns. Panel A contains summary statistics for targets of quasi-insider activists and the sample of Compustat firms excluding targets of quasi-insider or hedge fund activists. ***, **, * indicate statistical significance at the 1%, 5% and 10% levels for t-tests (mean) and Wilcoxon signed-rank tests (medians) that compare quasi-insider activist targets to the other Compustat firms. Panel B contains summary statistics for targets of hedge fund activists and the sample of Compustat firms excluding targets of quasi-insider or hedge fund activists. ***, **, * indicate statistical significance at the 1%, 5% and 10% levels for t-tests (mean) and Wilcoxon signed-rank tests (medians) that compare insider activist targets to the hedge fund activist targets (means and medians for hedge fund targets), and that compare hedge fund activist targets to the other Compustat firms (means and medians for other Compustat firms). All variables are defined in Table A1.

Panel A: Quasi-Insider Activists

	Quasi-Insider Activist Targets				Other Compustat Firms	
	N	Mean	Median	Std. Dev	Mean	Median
Market Cap	135	5191.994	82.713	25038.750	3568.608	277.505***
Cash	135	0.230	0.133	0.250	0.190**	0.090**
R&D	135	0.112	0.000	0.389	0.057	0.000
ROA	135	-0.312	-0.022	0.859	-0.083	0.016***
Sales Growth	128	0.083	0.007	1.023	0.770	0.075***
Debt	135	0.215	0.134	0.284	0.249	0.166
Dividend Yield	135	0.013	0.000	0.025	0.017	0.000
Payout	135	-0.136	0.000	5.750	0.235	0.000***
Stock Return	106	-0.175	-0.211	0.456	0.166	-0.052***
Institutional Ownership	113	0.422	0.428	0.312	0.407	0.360
Dissident Percent Ownership	130	0.149	0.114	0.123		
Dissident Dollar Ownership	130	338.299	7.736	2264.322		

Panel B: Hedge Fund Activists

	Hedge Fund Activist Targets				Other Compustat Firms	
	N	Mean	Median	Std. Dev	Mean	Median
Market Cap	1962	4051.314	244.018***	28542.510	3568.608	277.505
Cash	1962	0.213	0.12	0.231	0.190***	0.090***
R&D	1962	0.054***	0	0.191	0.057	0.000*
ROA	1962	-0.052***	0.007***	0.353	-0.083	0.016***
Sales Growth	1922	0.382	0.03***	6.106	0.77	0.075***
Debt	1962	0.232	0.154	0.290	0.249	0.166**
Dividend Yield	1962	0.012	0	0.054	0.017	0.000***
Payout	1960	0.139	0**	3.730	0.235	0.000***
Stock Return	1760	-0.038	-0.135**	0.904	0.166	-0.052***
Institutional Ownership	1781	0.605***	0.646***	0.270	0.407***	0.360***
Dissident Percent Ownership	1806	0.093***	0.081***	0.067		
Dissident Dollar Ownership	1806	119.210***	17.470***	374.917		

Table 4: Targeted Regressions

This table reports marginal effects of logit regressions with the dependent variable of interest equal to one if the firm was targeted by an activist campaign in the following fiscal year. The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1), as well as the rest of the Compustat universe, excluding firms that are activist targets. The sample is restricted to firms for which data on are available in Compustat, which includes 135 quasi-insider and 1962 hedge fund activist campaign targets. All variables are defined in Table A1. The first three columns only include Compustat variables to ensure we have the entire sample. The last three columns include the returns from the previous year and institutional ownership reducing the sample. All Columns include year Fixed Effects. Columns 1 and 3 compare quasi-insider activist targets with the matched sample of firms. Columns 2 and 5 compare hedge fund activist targets with a matched sample of firms. Columns 3 and 6 compare quasi-insider activist targets to hedge fund activist targets with the dependent variable equal to one for quasi-insider activist campaigns. t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels.

	(1) Quasi-Insiders vs. Other Firms	(2) Hedge Funds vs. Other Firms	(3) Quasi-Insiders vs. Hedge Funds	(4) Quasi-Insiders vs. Other Firms	(5) Hedge Funds vs. Firms	(6) Quasi-Insiders vs. Hedge Funds
Log(Market Cap)	-0.000294***	-0.00551***	0.00722**	-0.000180**	-0.00548***	0.00924***
	(-3.05)	(-16.32)	(2.02)	(-1.98)	(-14.78)	(2.83)
Cash	-0.000199	0.00155	-0.0172	-0.000156	0.00234	-0.0184
	(-0.38)	(0.66)	(-0.80)	(-0.30)	(0.96)	(-0.83)
R&D	0.000129	-0.00235	-0.0875***	0.000121	-0.00219	-0.0870***
	(0.90)	(-0.61)	(-2.61)	(0.84)	(-0.55)	(-2.92)
ROA	-0.00000435	0.000107**	-0.0662***	-0.00000525	0.0000755	-0.0632***
	(-0.33)	(1.98)	(-3.26)	(-0.50)	(1.30)	(-3.52)
Debt	-0.0000598	0.00112	-0.00437	0.00000420	0.00134*	-0.00750
	(-0.41)	(1.34)	(-0.23)	(0.04)	(1.70)	(-0.43)
Div Yield	-0.00106**	-0.0200*	-0.0186	-0.00111**	-0.0185*	-0.0205
	(-2.12)	(-1.75)	(-0.32)	(-2.17)	(-1.69)	(-0.32)
Payout	0.00000292	-0.00000677	0.000883	0.00000295	-0.00000869	0.000819
	(1.34)	(-0.35)	(1.32)	(1.39)	(-0.33)	(1.34)
% Inst Own	0.000350	0.0417***	-0.126***	0.000109	0.0418***	-0.130***
	(0.73)	(21.19)	(-5.50)	(0.23)	(20.66)	(-5.62)
Stock Return				-0.00103***	-0.00284*	-0.0348***
				(-3.10)	(-1.94)	(-2.68)
N	87077	88744	1893	84558	86189	1843
Pseudo R^2	0.048	0.086	0.150	0.061	0.087	0.153

Table 5: Frequency of Campaign Objective

This table summarizes the objectives of hedge fund and quasi-insider activist campaigns that we classify by hand. The sample consists of (firms that are targets of) activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider and 1962 hedge fund activist campaigns. Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings. The first column indicates the category of the objective and the second column indicates the specific objective. These are not mutually exclusive because a campaign can have up two distinct main objectives. Campaigns with more than two main objectives are classified as General Value.

		Quasi-Insiders		**Hedge Funds**	
		N	%	N	%
General Value	Maximize Value	22	13.0%	295	15.0%
	Capital Structure	0	0.0%	196	10.0%
	Stop Sale	7	5.2%	198	10.1%
Board Representation	Board Representation	44	32.6%	629	32.1%
Board Control	Board Control	36	26.7%	152	7.7%
Sale Related	Sale to 3rd Party	11	8.2%	276	14.1%
	Sale to Activist	13	9.6%	74	3.8%
	Restructure Business	6	4.4%	152	7.7%
Governance	Oust CEO/Chair	8	5.9%	36	1.8%
	Compensation	6	4.4%	26	1.3%
	Governance	16	11.9%	87	4.4%
	Board Proposal	3	2.2%	97	4.9%
	Total	135		1962	

Table 6: Frequency of Campaign Tactics

This table summarizes the type of campaigns employed by hedge fund and quasi-insider activists. The sample consists of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm that was a former executive or founder (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider and 1962 hedge fund activist campaigns. This table reports the type of campaign led by the dissident as classified by FactSet, including whether they made a press release, made contact with other shareholders, or made a formal proxy request.

Campaign Type	**Quasi-Insiders**		**Hedge Funds**	
	N	%	N	%
Exempt Solicitation	10	7.4%	24	1.2%
Other Stockholder Campaign	55	40.7%	1417	72.2%
Proxy Fight	70	51.9%	521	26.6%

Table 7: Campaign Announcement CARs

This table reports mean cumulative abnormal returns for the (-1,+1), (-1,+5), (-10,+10), and (-20,+20) windows around the date of campaign announcement (see Table A1). The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign. The sample is further restricted to firms for which data are available on returns in CRSP, resulting in 107 quasi-insider and 1787 hedge fund activist campaigns. Mean CARs are reported for all campaigns, and separately for campaigns with control-related objectives and other objectives. Difference between the mean CARs between quasi-insider and hedge fund campaigns are also reported. Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings (see Table 5). Control related campaigns consist of those with the objectives of obtaining board representation, board control, or seeking the sale of the target firm to the activist. Other objective consists of all other objectives. p-values for quasi-insiders and hedge funds are for t-tests comparing the means to zero. p-values for differences are for t-tests comparing the means for quasi-insider and hedge fund campaigns.

	N	CAR(-1,+1)		CAR(-1,+5)		CAR(-10,+10)		CAR(-20,+20)	
		Mean	p-value	Mean	p-value	Mean	p-value	Mean	p-value
All objectives:									
Quasi-Insiders	107	0.025	0.00	0.034	0.00	0.038	0.02	0.072	0.00
Hedge Funds	1787	0.034	0.00	0.040	0.00	0.056	0.00	0.063	0.00
Difference		-0.009	0.17	-0.006	0.52	-0.018	0.18	0.009	0.61
Control-related objectives:									
Quasi-Insiders	72	0.025	0.02	0.037	0.00	0.051	0.02	0.089	0.00
Hedge Funds	768	0.038	0.00	0.043	0.00	0.058	0.00	0.068	0.00
Difference		-0.013	0.15	-0.007	0.55	-0.008	0.64	0.021	0.35
Other objectives:									
Quasi-Insiders	57	0.026	0.00	0.031	0.01	0.024	0.29	0.056	0.09
Hedge Funds	1071	0.035	0.00	0.042	0.00	0.061	0.00	0.065	0.00
Difference		-0.010	0.25	-0.011	0.36	-0.037	0.05	-0.009	0.72

Table 8: Campaign Announcement CAR Regressions

This table reports coefficients from OLS regressions with the dependent variable equal to the cumulative abnormal return in the (-1,+5) ((-10,+10)) window around the date of campaign announcement in Panel A (B). The sample consists of firms that are targets of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign. The sample is further restricted to firms for which data are available on returns in CRSP and data on the dissidents ownership is available in Factset, resulting in 102 quasi-insider and 1638 hedge fund activist campaigns. Columns (1) and (2) include only quasi-insider campaigns and (3) and (4) include only hedge fund campaigns. Columns (2) and (4) include proxy fights only (see Table 6). Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings (see Table 5). All other variables are defined in Table A1. t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels.

Panel A: Dependent Variable CAR(-1,+5)	**Quasi-Insiders**		**Hedge Funds**	
	(1)	(2)	(3)	(4)
Log(Market Cap)	0.000288	0.00977	0.00330	0.00193
	(0.03)	(0.75)	(1.38)	(0.69)
General Value	0.00831	0.143	0.0113	0.0380
	(0.16)	(1.52)	(0.75)	(1.33)
Governance	-0.00701	0.114*	-0.00631	0.000189
	(-0.16)	(1.79)	(-0.37)	(0.01)
Sale Related	0.0646	0.0617	0.0297**	0.0354**
	(1.33)	(0.68)	(2.26)	(2.24)
Board Control	-0.0787	0.0636	-0.00250	0.0110
	(-1.39)	(0.66)	(-0.12)	(0.41)
Board Represent	-0.00113	0.145	-0.00280	0.0135
	(-0.02)	(1.46)	(-0.18)	(0.50)
Dissident Ownership %	0.0230	0.00426	0.0499***	0.0189**
	(1.62)	(0.18)	(6.68)	(2.44)
N	102	52	1638	477
Adjusted R^2	0.047	0.002	0.028	0.012

Panel B: Dependent Variable CAR(-10,+10)	**Quasi-Insiders**		**Hedge Funds**	
	(1)	(2)	(3)	(4)
Log(Market Cap)	-0.00774	0.0105	-0.000282	-0.00507
	(-0.60)	(0.54)	(-0.09)	(-1.20)
General Value	0.0650	0.226	0.0236	-0.0245
	(0.84)	(1.62)	(1.25)	(-0.56)
Governance	-0.0507	0.0636	-0.00978	0.0265
	(-0.78)	(0.67)	(-0.46)	(0.61)
Sale Related	0.0652	0.128	0.0360**	0.0322
	(0.89)	(0.95)	(2.19)	(1.34)
Board Control	0.0433	0.169	0.0136	0.00797
	(0.51)	(1.18)	(0.54)	(0.19)
Board Represent	0.0314	0.154	0.00507	-0.00899
	(0.40)	(1.04)	(0.27)	(-0.22)
Dissident Ownership %	0.0308	0.0162	0.0362***	-0.0165
	(1.43)	(0.46)	(3.89)	(-1.40)
N	102	52	1638	477
Adjusted R^2	0.002	-0.076	0.011	0.001

Table 9: Frequency of Success

This table reports data on the success of activist campaigns for hedge fund and quasi-insider activists. The sample consists of activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign, resulting in 135 quasi-insider and 1962 hedge fund activist campaigns. A campaign is classified by hand as being successful if the activist achieves at least one of its stated objectives, according to information in the FactSet synopses and press reports. Success rates are reported for all campaigns as well as separately by objective. Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings (see Table 5). Success rates are also reported separately for quasi-insiders and hedge funds. Difference is the difference between the success rates for quasi-insider and hedge fund activists. p-values are for t-tests that compare the success rates for quasi-insider and hedge fund campaigns.

	Quasi-Insiders			**Hedge Funds**			**Difference**	
	N	N Successful	% Successful	N	N Successful	% Successful	% Successful	p-value
All	135	60	44.4%	1962	1045	53.3%	-5.2%	0.216
By objective:								
General Value	29	10	34.5%	479	199	41.5%	-8.2%	0.282
Board Representation	44	23	2.3%	629	416	66.1%	-10.6%	0.140
Board Control	36	15	41.7%	152	107	70.4%	-23.6%	0.006
Sale Related	27	14	51.2%	673	350	52.0%	8.0%	0.642
Governance	31	15	48.4%	216	109	50.5%	-3.8%	0.703

Table 10: Success Regressions

This table reports marginal effects from probit regressions with the dependent variable equal to one if the campaign was successful and zero otherwise. A campaign is classified by hand as being successful if the activist achieves at least one of its stated objectives, according to information in the FactSet synopses and press reports. The sample consists of (firms that are targets of) activist campaigns obtained from FactSet SharkWatch for the period 2000-2015 initiated by either a hedge fund or a quasi-insider, which we define as an individual investor who is a former officer, employee, or director, or a current non-executive director of the firm (see Table 1). The sample is restricted to campaigns for which data on target firm characteristics are available in Compustat in the fiscal year prior to the campaign and data on the dissidents ownership is available in Factset, resulting in 130 quasi-insider and 1806 hedge fund activist campaigns. Columns (1) and (2) include only quasi-insider campaigns and (3) and (4) include only hedge fund campaigns. Columns (2) and (4) only include campaigns that were proxy fights (see Table 6). Campaign objectives are classified by hand using information from FactSet campaign synopses and SEC 13D and proxy filings. (see Table 5). All other variables are defined in Table A1. t-statistics are reported in parentheses. ***, **, and * denote statistical significance at the 1%, 5%, and 10% levels.

	Quasi-Insiders		**Hedge Funds**	
	(1)	(2)	(3)	(4)
Log(Market Cap)	-0.0583***	-0.0797**	0.0260***	0.0266**
	(-2.76)	(-2.57)	(4.28)	(2.16)
General Value	-0.0696	-0.250	-0.00642	0.157
	(-0.56)	(-1.15)	(-0.16)	(1.13)
Governance	0.0913	-0.0290	0.0650	0.293**
	(0.87)	(-0.20)	(1.46)	(2.05)
Sale Related	0.0879	-0.0453	0.0917***	0.0576
	(0.73)	(-0.19)	(2.62)	(0.77)
Board Control	-0.0495	-0.154	0.279***	0.354***
	(-0.38)	(-0.75)	(5.23)	(2.74)
Board Represent	0.0711	-0.0990	0.232***	0.298**
	(0.58)	(-0.45)	(5.90)	(2.34)
Dissident Ownership %	0.0124	-0.0746	0.0592***	0.158***
	(0.34)	(-1.23)	(3.23)	(4.11)
N	130	68	1806	507
Adjusted R^2	0.073	0.087	0.051	0.043

Table 11: CEO turnover, firm performance, and quasi-insider ownership

This table presents estimates from OLS regressions of CEO turnover on firm performance and its interactions with the presence of quasi-insiders not currently employed by the firm. The unit of observation is a firm-year. The depedent variable is an indicator equal to one if the firm experiences a change in CEO in a given year and zero otherwise. The main explanatory variables are *RelativeROA*, *QIBlockholder*, and interactions of the two. *RelativeROA* is the z-score of a firm's year *t-1* return on assets within three-digit SIC code-year cell. *QIBlockholder* is an indicator for having a quasi-insider who is not a current employee as a blockholder. We define this variable in several ways - $FCEO-13D$ indicates having a former CEO as a current 13D blockholder, $FCEO-13D/G$ indicates having a former CEO as a current 13D or 13G blockholder, and $FOFF-13D$ indicates having any former officer (not just a CEO) as a current 13D blockholder. See Section 6 for a complete description of these varaibles. Firm-years in which the firm's CEO enters the year having spent less than two full years in that role or for which a given quasi-insider variable is undefined are excluded. *FormerCEOOnBoard* is an indicator equal to one if a firm has a director at the beginning of the year who was previously but is not currently the CEO of the firm. In column (7), we do not restrict firm-years to those in which the firm's CEO enters the year having spent at least two full years in that role. In column (8), CEO turnover events are limited to those where the CEO did not become CEO of a larger firm based on total assets within the next year. Standard errors clustered at the firm level are reported in parentheses below each point estimate. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% level, respectively, based on a two-tailed t-test.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
RelativeROA	-0.006***	-0.005***	-0.009***	-0.011***	-0.011***	-0.010***	-0.008***	-0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
QIBlockholder	0.062	0.062	-0.047	0.007	0.047	0.051	-0.091	0.050
	(0.069)	(0.068)	(0.064)	(0.061)	(0.057)	(0.055)	(0.059)	(0.055)
QIBlockholder *	-0.128***	-0.128***	-0.149***	-0.151***	-0.157***	-0.105***	-0.121***	-0.094*
RelativeROA	(0.019)	(0.019)	(0.039)	(0.039)	(0.039)	(0.040)	(0.035)	(0.050)
FormerCEODir		0.003	-0.171***	-0.124***	-0.124***	-0.124***	-0.109***	-0.101***
		(0.004)	(0.005)	(0.006)	(0.006)	(0.006)	(0.005)	(0.006)
FormerCEODir *		-0.011**	0.000	0.004	0.004	0.005	-0.003	0.003
RelativeROA		(0.006)	(0.006)	(0.006)	(0.006)	(0.006)	(0.005)	(0.006)
N	109,850	109,850	107,958	107,958	107,958	107,679	131,237	107,958
Adjusted R^2	0.077	0.077	0.229	0.236	0.236	0.237	0.217	0.228
QIBlockholder	FCEO-13D	FCEO-13D	FCEO-13D	FCEO-13D	FCEO-13D/G	FOFF-13D	FCEO-13D	FCEO-13D
Ind-Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm FE	No	No	Yes	Yes	Yes	Yes	Yes	Yes
CEO Tenure FE	No	No	No	Yes	Yes	Yes	Yes	Yes