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Shareholder Activism and Firm Performance: A Review

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Abstract: The paper aims to review the literature on the influence of Shareholder Activism on firm performance including share price, financial performance, corporate governance, and innovation. Many studies have been reviewed to find the relationship between the identified constructs. For this purpose, the review methodology has been used to go through the literature relating to the impact of Shareholder Activism on Firm Performance over the period ranging from 2000 to 2021. Furthermore, the study concludes that shareholder activism significantly affects how well a company performs. However, studies claim that shareholder activism has a favorable impact on a company's performance, while other scholars claim that it has a detrimental effect. However, some researchers have found that the influence is minimal. Moreover, firm performance can be enhanced if a firm's management works in collaboration with activist investors.

Keywords: *Shareholder Activism, Share price, financial performance, corporate governance, R&D, Innovation.*

1. Introduction

A surge in shareholder activism has been a hallmark of investor capitalism (Greenwood & Schor, 2009; Useem, 1996; Kahan & Rock, 2009; Renneboog & Szilagyi, 2011). Investor disagreements with managers to express their unhappiness can range from formal actions to change corporate direction and performance (Westphal & Bednar, 2008; David & Hillman, 2007; Song & Szewczyk, 2003; David, Hitt, & Gimeno, 2001). In studies of corporate governance, the topic of shareholder intervention in the management of firms remained divisive. To explain how shareholder activism activities affect the development of the corporate governance framework and strategy, the research typically takes a shareholder activism stance (Westphal & Bednar, 2008). When shareholders actively engage in managerial activities when they are unhappy with the direction that the firm, they are associated with is headed, this is referred to as "shareholder activism." (Judge, Gaur, & Muller-Kahle, 2010); Tirole, 2006; Gillan & Starks, 2007). It is suggested that because ownership and control are separated, this participatory behavior can assist reduce agency costs (Faccio, Marchica, & Mura, 2011; Bebchuk, 2005). For instance, significant shareholder intervention, according to Jie & Youzhi, (2011), helps lower managerial misconduct. Furthermore, while the focus shareholders may weigh the advantages and disadvantages of their involvement, particularly because it would be made public, other shareholders may also stand to benefit from it (Goranova & Ryan, 2014). The longevity of a business depends on organizational performance. Organizational performance is widely acknowledged as a crucial outcome variable of interest in business and management research.

With applications spanning from human resources and marketing to operations management-related strategy, IT, and global business (Hult, et al., 2008; March & Sutton, 1997). The primary goal of the study in each of these domains is to provide information on how companies can improve, shape, and maintain their performance, hence assisting enterprises in becoming more successful and surviving (Bititci, Garengo, Dörfler, & Nudurupati, 2012; March & Sutton, 1997). A combination of non-monetary and financial measures that may be used to assess how successfully a firm's aims and targets have been reached have been collectively referred to as organizational performance (Kapłan & Norton, 1992). Shareholder activism found to have a favorable impact on organizational performance in several types of research (Artiga González & Calluzzo, 2019; Stathopoulos & Voulgaris, 2016; Kedia, Starks, & Wang, 2016). Conversely, other studies argued that shareholder activism has a detrimental effect (Bainbridge, 2006; Guimaraes, Leal, Wanke, & Morey, 2019; Bliss, Molk, & Partnoy, 2019; Edmans, Fang, & Zur, 2013). While the little empirical study has been done on how shareholder activism affects corporate success (Shingade & Rastogi, 2019). The following academics have conducted an extensive study to examine the connections between share price, financial performance, corporate governance, and innovation and how shareholder activism affects organizational success (Goranova, Abouk, Nystrom, & Soofi, 2017; Klein & Zur, 2009; Lhuillery, 2011; Del Guercio, Seery, & Woidtke, 2008). Furthermore, recent investigations have produced mixed results. To evaluate the effects of shareholder activism on innovation, financial performance, corporate governance, and share price performance, this study analyzed the literature, especially from the past twenty years.

2. Literature Review

The impact of shareholder activism on corporate success and return to shareholders has been the subject of conflicting research in the past. (Gillan & Starks, 2000) Researchers looked at voting outcomes and short-term market responses depending on offer types and sponsor identification since shareholder activism in the United States is done by submitting shareholder proposals. Their research demonstrates that the topics covered by the proposals and the sponsors' names affect stockholder voting and stock price reaction. Less specific suggestions are made by active investors, which have a somewhat favorable effect on stock prices. A proposal supported by fund managers or legally organized groups of investors, on the other hand, receives significantly more votes and seems to have a small but discernible negative influence on stock prices. Some authors contend that hedge fund activism gives management a check on how well the investors' wealth is being handled in addition to enhancing the profitability and stock price of the firms it targets (Brav, Jiang, Partnoy, & Thomas, 2008). But research shows that there is only a tenuous connection between share price performance and shareholder activism (Klein & Zur, 2009; Bizjak & Marquette, 1998; Ferri & Sandino, 2009; Carleton, Nelson, & Weisbach, 1998; Karpoff, Malatesta, & Walkling, 1996; Faleye, 2004). This article estimates how corporate governance policies affect shareholders' wealth and long-term results in S&P 1500 companies.

On the day of the vote, approving a corporate governance provision yields high returns of 1.3 % and an implied stock price per policy of 2.8 % (Cuñat, Gine, & Guadalupe, 2012). Azizan & Ameer (2012) examined Malaysian family-owned and -operated firms' 2005–2009 performance as well as the results of shareholder activism led by the Minority Shareholder Watchdog Group (MSWG). According to the study, involvement in the MSWG resulted in aggregate high returns of at least 0.5 percent for the selected family businesses during the [-1, 0] and [0, +1] event periods. In the course of the initial Schedule 13D filing date, which gives investors the right to request that a company's management be changed, Klein & Zur (2009) researched the effects of shareholder activists with an entrepreneurial mindset. It was discovered that there was a favorable market response close to the date of filing. The activist investors were successful in enforcing certain reforms at the targeted businesses, which allowed them to repurchase their shares, reduce the CEO's compensation, and begin paying dividends, thereby resolving the issue of free cash flow. Additionally, the targeted firms outperformed the non-targeted ones in respect of cash flow and earnings (Ameer & Abdul Rahman, 2009). Del Guercio, Seery, & Woidtke, (2008) confirmed that "just say no" activism activities, which entail refusing to elect a director as a means of protest, result in an improvement in operating performance. Other researchers that have studied long-term performance enhancement agree with it (Kim, Sung, & Wei, 2017; Nesbitt, 1994; Opler & Sokobin, 1995; Renneboog & Szilagyi, 2011).

Analyzed the off-market purchases made public by institutional investors from abroad in Korea using an event study technique. According to studies, target corporations are more inclined to reduce cash holdings, increase debt ratios, and closely tie dividend payouts and repurchases to changes in profits. It is found that activism is linked with stock price enhancement and that these market price reactions are large in the case of investors belonging to the country where activism is prevalent, despite the lack of proof that long-term performance has improved. According to Fox & Lorsch (2012), Activist shareholders are referred to be shortsighted activists since they prioritize short-term gains above long-term value. In their study of the organizational and stock price performance over the course of the five years since it was revealed that there had been an activist involvement in the USA, Bebchuk, Brav, & Jiang (2015) found no evidence to support such a claim. Although the impact of shareholder activism, whether that term is used generally or narrowly, on the performance of targeted businesses is unknown, activist investors have increasingly been successful in changing corporations' corporate governance (Thomas & Cotter, 2007; Ertimur, Ferri, & Stubben, 2010). Agrawal, (2012) asserts that a decrease in labor union/management disputes is associated with AFL activism. CIOs which has a more immediate effect on organizational stakeholders.

Another type of shareholder activism is the "Wall Street Walk," or voting with one's feet (Gillan & Starks, 2007; Admati & Pfleiderer, 2005). According to past studies, management has been positively impacted by the "Wall Street Walk"(Admati & Pfleiderer, 2005; Parrino, Sias, & Starks, 2003). Managers alter their choices to appease shareholders because they are aware of the potential negative effects that disgruntled shareholders' actions could have on the share price. Admati & Pfleiderer, (2005) refer to this type of monitoring as "jawboning" behavior, which is associated with "behind-the-scenes" talks. Parrino, Sias, & Starks, (2003) additionally, provide evidence of how institutional investors have successfully used "voting with their feet" to pressure boards of directors of the firms to dismiss underperforming CEOs. According to Ameer & Abdul Rahman (2009), the targeted companies where the Minority Shareholder Watchdog Group (MSWG) interfered. In comparison to improvements in corporate governance, merger/acquisition and sale agreements exhibited much stronger abnormal returns.

This demonstrates that the market responds more significantly during the period when the MSWG targets businesses engaging in activities that may have an impact on investors' wealth, for example, a merger or disposal. Kellermanns, Walter, Lechner, & Floyd (2005) assert that the strategic consensus of significant shareholders makes it simpler for managers and major shareholders to cooperate to acquire the expertise and resources required for devising and adopting certain creative initiatives (Markoczy, 2001). Given the collaborative character of innovation, strategic consensus can also be considered as being advantageous for enhancing a firm's performance in this area (Subramaniam & Youndt, 2005). However, it is challenging to establish a positive relationship with management and prohibits them from discussing and exchanging expertise due to the strategic meddling of significant owners (Ruigrok, Peck, & Keller, 2006). Because of this, there is less sharing of creative information, which is damaging to businesses seeking to make the greatest innovative decisions (Zhang, Yang, Xu, & Zhu, 2018).

3. Methodology

The study's goal is to ascertain how shareholder activism impacts a company's ability to succeed. Share price, financial performance, corporate governance, and innovation have been chosen as the criteria to measure firm performance. A detailed assessment of the literature has been conducted to determine the relationship between shareholder activism and business performance. Due to this, it is challenging to stay abreast of best practices, stay current with research, and evaluate the body of evidence in a given field of business-related research. As a result, the literature review is now a technique of research that is more successful than ever (Snyder, 2019). Several databases, including Google Scholar, Science Direct, Wiley Online Library, Elsevier, etc., were used to find studies on shareholder activism and organizational performance. Measures of organizational performance can be subjective or objective. The only characteristics that this study addresses are those that are objectively related to organizational performance, such as share price, financial performance, corporate governance, and innovation. Keywords including shareholder activism, share price, financial performance, corporate governance, innovation, and organizational performance have been used to discover research publications on the subject. Moreover, Shareholder activism, share price, financial performance, corporate governance, and innovation are keywords for this paper. The study mainly looked at articles that were released between 2000 and 2021.

4. Results and Discussion

Shareholder Activism and Share Price: There are at least two main types of shareholder activism, as well as several variations. Performance-driven activism, typically spearheaded by hedge funds, concentrates on promoting significant changes in company strategy to raise the stock price of a company. On the other side, corporate governance activism concentrates on alterations to a public company's governance structures, CEO salary, and social policy. Sometimes, the second kind of activism serves as a means of achieving the first (Rose & Sharfman, 2014).

Positive: Barber (2007) states that for the 115 enterprises those CalPERS targeted, the announcement had a very positive 0.23 percent reaction. While Klein & Zur, (2009) show a high return of 5.7 percent over the 36 days before the filing dates for 134 target enterprises. Brav, Jiang, Partnoy, & Thomas (2008) exhibited an anomalous monthly return of 5.10 percent on average for 1,059 companies that 236 different hedge fund activists targeted. According to research, the average returns on odd stocks can range from 3.61 percent to 8.68 percent (Greenwood & Schor, 2009; Becht, Franks, Grant, & Wagner, 2017; Brav, Jiang, & Kim, 2009;

Boyson & Mooradian, 2011), using somewhat different datasets. These findings pertain to American businesses, but they are consistent with research on hedge fund activism from the UK (Becht, Franks, Mayer, & Rossi, 2010), Japan (Hamao, Kutsuna, & Matos, 2011), and Germany (Bessler, Drobetz , & Holler, 2015). The activism of Hedge funds prevailing in the US and abroad has been examined by Becht, Franks, Grant, & Wagner (2017), who present largely consistent findings.

In their sample, the average abnormal stock return for American targets of hedge fund activism is 6.97 percent, compared to 6.4 percent and 4.8 percent for European and Asian targets, respectively. These results strongly imply that the values of the companies that hedge fund activists have targeted have generally increased. The study discovered that clustered activism results in increased profitability and anomalous returns using sizable data on shareholder activism activities at U.S. companies (Artiga González & Calluzzo, 2019). This study employed a sample of 385 firm-year data from French firms that were part of the SBF 120 index between 2008 and 2012. There is shareholder activism, and it is good for the performance of the market (Bouaziz, Fakhfakh, & Jarboui, 2020). By bridging these boundaries and looking at information on 1,324 American hedge fund activist investors' initiatives between 2000 and 2016, it was found that there was a definite trade-off connected with hedge fund activism: Benefits are temporary and shareholder-focused, as evidenced by rapid increases in market price and profits (DesJardine & Durand, 2020). After activist intention has been disclosed, stock selection is thought to account for 13.4 percent of average returns, compared to 74.8 percent of predicted value creation.

Negative: Prevost & Rao (2000) over two days, right before the public pension funds sent their votes on 22 proposals made between 1988 and 1994, indicated a statistically significant negative impact on stock market price return. According to (Caton, Goh, & Donaldson, 2001) statistically noteworthy was the average five-day return of -0.91 percent for the 108 companies on the Council of Institutional Investor's Focus List of possible target organizations. According to Renneboog & Szilagyi (2011), For 1,510 shareholder proposals submitted between 1996 and 2005, there was a strong announcement return of 0.36 % in the four days that followed the proxy mailing or first public announcement. Cuñat, Gine, & Guadalupe (2012) the use of a regression discontinuity technique reveals that investor proposal that is successful offer an exceptional return of 1.30 percent compared to those that are unsuccessful. Following the declaration of activism, the investigation discovered a statistically significant abnormal decline in share values (Bliss, Molk, & Partnoy, 2019). The long-term effects of activism are examined in this study (Guimaraes, Leal, Wanke, & Morey, 2019) on 194 Brazilian listed businesses in 2010, 2012, and 2014. The findings demonstrate a negative correlation between the activism index and the efficiency ratings.

Insignificant: Choose an empirical approach similar to what Barber & Lyon (1997) have suggested, Song & Szewczyk (2003) found that companies on the Council of Institutional Investors' Focus list have negligible long-term gains. For shareholder motions and debates, to compute long-run abnormal returns, only Prevost & Rao (2000), Barber (2007), Del Guercio & Hawkins (1999), used techniques comparable to those in Barber & Lyon, (1997). These three investigations all produce insignificant findings. Brav, Jiang, Partnoy, & Thomas, (2008) and Clifford, (2008) have found long-term benefits, albeit their results are not significant statistically. Although the empirical results did not provide any proof of a major influence of shareholder activism on a firm's performance, Filatotchev & Dotsenko (2015) claim that in the UK, different investor-type suggestions have noticeably different partial effects of aberrant stock-market returns. According to the statistics, shareholder activism's ability to cause aberrant share prices is significantly influenced by the form, kind, and content of investor suggestions (Filatotchev & Dotsenko, 2015). The findings demonstrate that the activism of shareholders, as implied by shareholder recommendations, has no influence on the performance of the stock market (Bouaziz, Fakhfakh, & Jarboui, 2020).

Shareholder Activism and Financial Performance: Activist investors' primary goal has been to focus on the underperforming firms in their portfolio and exert pressure on the leadership of such companies to perform better (Gillan & Starks, 2000). Financial in nature is the most typical performance problem raised by activist shareholders. For instance, it has been demonstrated that hedge fund activism boosts financial operating performance (Brav, Jiang, Partnoy, & Thomas, 2008). However, there are opposite findings as well (Guimaraes, Leal, Wanke, & Morey, 2019).

Positive: It is possible to gauge the impact of the Sha index through returns, profitability, or increased valuation (DeHaan, Larcker, & McClure, 2019; Brav, Jiang, Partnoy, & Thomas, 2008; Carleton, Nelson, & Weisbach, 1998; Wahal, 1996). Accounting ratios, which include return ratios, net profit margin, and operating profit margin, are among the most often used measurement sets. According to research, the involvement of activist investors tends to sway opinions regarding irrational investments and enhance the firm's chances of success (Richardson, 2006). Boyson & Mooradian, (2011) examined the impact of hedge fund activism over a longer time span, from 1994 to 2005, and discovered a link between activism and the company's successful operational performance. Operating performance for businesses targeted by activist investors significantly improves, according to Kedia, Starks, & Wang, (2016). This study is conducted using secondary financial information for 236 manufacturing companies from India that were gathered from the CAPITALINE repository over five years. A company's success can benefit from shareholder activism in the short run, per a study by DesJardine and Durand (2020). Over time, it is linked to a drop in operational performance. DesJardine & Durand, (2020) shareholder activism boosts a company's success in the near run. It is connected to a longer-term decline in operational performance. The study sampled data from 37 publicly traded companies from FY2017 to FY2020. At least one act of action took place at the chosen firms between 2017 and 2020.

Negative: In some cases, targeted businesses' revenue is lower than that of untargeted businesses (Wahal, 1996; Opler & Sokobin, 1995). Fox & Lorsch (2012) identified activist shareholders as shortsighted activists because they emphasize short-term profits over long-term value. The company's size and market value dictate how shareholder activism impacts operational performance (DeHaan, Larcker, & McClure, 2019). Businesses with a market value under $40 million do have good long-term returns, even while larger companies do not notably experience the effects of activism on returns. This study creates an efficiency score focused on company governance, shareholding structure, and financial metrics of organizations using a sample of 194 businesses in 2010, 2012, and 2014. Guimaraes, Leal, Wanke, & Morey (2019) Results showed a negative correlation between the efficiency scores and the activism index. The information demonstrates that advocacy has minimal effect on the efficiency rankings of Brazilian-listed companies. According to the research, estimations of profitability for operational profit margin and market worth are dramatically reduced as a result of shareholder activism (Shingade, Rastogi, Bhimavarapu, & Chirputkar, 2022).

Insignificant: Smith (1996) decided that the target companies of the CalPERS fund's operating performance had not been negatively impacted. Del Guercio & Hawkins (1999) carried out interviews with the fund managers of large, active pension funds to evaluate the shareholder proposals presented by these funds. They discovered no connection between both activism and operational effectiveness. Accordingly, Strickland, Wiles, & Zenner (1996) found no evidence to suggest a connection between shareholder proposals and results of operations as measured by return on assets. In their 1999 study, Del Guercio & Hawkins, (1999) evaluated the operational return on assets and sales from one year to the next when a business received a shareholder proposal for the first time. They find that the changes are not as large as those for a group of control firms that are comparable in size, industry, and prior earnings performance. There is no statistically significant difference in any of the comparisons. Smith (1996), Karpoff, Malatesta, & Walkling (1996), Strickland, Wiles, & Zenner (1996), Wahal (1996) also reported observations of a similar nature. These findings are subject to isolated exceptions. According to Prevost & Rao (2000), when activist investors target a company just once, the impact on operating performance is statistically inconsequential; On the other hand, the impact is significant over a longer length of time when a firm is repeatedly attacked.

Shareholder Activism and Corporate Governance: Corporate performance and governance have been the target of shareholder activism (Davis & Thompson, 1994; Dimitrov & Jain, 2011). Activists "have grabbed the middle ring and are controlling the main event," according to some observers (Duhigg, 2007). The pledge to hold corporate executives accountable to the shareholders of their companies (Bebchuk, 2005; Thomas & Cotter, 2007) and stakeholders (Reid & Toffel, 2009; Rehbein, Waddock, & Graves, 2004) has been personified by shareholder activism, a social movement that sprang from the outlier behaviors of corporate gadflies (Davis & Thompson, 1994; Kahan & Rock, 2009).

Positive: For studies on activism involving hedge funds and governance, agency theory provides a unifying theoretical framework (Karpoff, Malatesta, & Walkling, 1996; Greenwood & Schor, 2009; Chen, 2004; Gillan &

Starks, 2007; Edmans, Fang, & Zur, 2013; Brav, Jiang, Partnoy, & Thomas, 2008). Shareholders (principals) must monitor and reward managers (agents) for them to enhance investor stock value (Alchian & Demsetz, 1972; Beatty & Zajac, 1994; Jensen & Meckling, 2019). Bebchuk, (2005) promotes shareholder engagement in the corporate governance of target firms and asserts that shareholder ideas may greatly lessen agency problems associated with executive choices. The importance of shareholder activism in identifying bad management is demonstrated by the fact that activist shareholders are more inclined to seek businesses with poor management (Ertimur, Ferri, & Muslu, 2011; Bradley, Brav, Goldstein, & Jiang, 2010; Cziraki, Renneboog, & Szilagyi, 2010). Generally speaking, shareholder activism seems to function as a useful monitoring tool through which the effectiveness of corporate governance can be enhanced within the company and frequently has a favorable influence on the company's success and decision-making (Stathopoulos & Voulgaris, 2016). Corporate executives must deal with the increasingly complex and wide-ranging shareholder demands for better corporate governance, asset restructuring, (Brav, Jiang, Partnoy, & Thomas, 2008; Klein & Zur, 2011), and board representation (Gillan & Starks, 2007; Westphal & Bednar, 2008; Gantchev, 2013).

Negative: This viewpoint asserts that corporate governance or company performance is being criticized by activists (Becht, Franks, Mayer, & Rossi, 2009). As per the notion of visible proxy resolutions, managerial ownership has a negative link with the activism of shareholders (Bizjak & Marquette, 1998; Carleton, Nelson, & Weisbach, 1998; Faleye, 2004; Renneboog & Szilagyi, 2011). According to several studies, proposal submissions are inefficient as a tool for agency oversight and may even be harmful to the corporate governance of the targeted firms. Prevost & Rao, (2000) argue that institutional activists usually attempt to have off-camera conversations with management first and only resort to making suggestions as the last option. Frequently praised for promoting shareholder interests are public pension funds, however, Woidtke (2002) says that cultural and political pressures may cause them to shift their attention away from assisting the leadership team and increasing economic value. This argument is also supported by Lipton, (2002). Stout, (2007) employs comparable lines of argumentation in the legal literature to refute Bebchuk's (2005) support for shareholder engagement. Goranova, Abouk, Nystrom, & Soofi (2017) collected S&P 500 samples from the years 2000 to 2005. Both facets of shareholder activism are negatively connected to corporate governance, claims a paper. This is because organizations with sound governance are more inclined to quietly respond to activist requests and have few chances to be victimized by shareholders.

Shareholder Activism and R&D & Innovation: According to agency theory, managers who seek steady, short-term increases in performance are less inclined to spend long-term assets on firm innovation efforts than significant shareholders who typically anticipate a rise in future returns from such investments (Hill & Snell, 1988). To decrease agency issues and integrate managers' objectives with those of shareholders, this argument claims that firms wanting to improve their innovation efforts should create suitable external or internal governance systems (Jensen & Meckling, 2019; Lhuillery, 2011; Mishra, 2011).

Positive: In agreement with this, the shareholder activism perspective (Kellermanns, Walter, Lechner, & Floyd, 2005; Lhuillery, 2011) recommends that to enhance company innovation activities and protect their interests, significant shareholders may utilize their advantage of share ownership to engage in management operations. For instance, they may get in touch with managers directly by attending crucial meetings and corporate events, or they could get in touch with managers covertly by using the board of directors (Hope, 2013). David, Hitt, & Gimeno, (2001) hypothesized that R&D inputs are positively correlated with activism. R&D inputs operate as a buffer between activism and its effects on R&D outputs. Less aggressive interventions may boost managers' confidence when making innovation decisions and encourage them to be more proactive when identifying and seizing potential innovation opportunities (Grosfeld, 2009). According to Kellermanns, Walter, Lechner, & Floyd, (2005), It is simpler for managers and large shareholders to collaborate and work together to obtain the information and resources required for creating and implementing specific innovation projects thanks to the strategic consensus of large owners (Markoczy, 2001). Given the collaborative character of innovation, the strategic agreement may also be considered advantageous for enhancing a company's success in this area (Subramaniam & Youndt, 2005).

Negative: Significant shareholders' influence on company strategy decisions may lead to inadequate decision-making regarding innovation. If the firm's managers simply agreed to their demands, the adversarial strategic intervention might unintentionally raise the risk that the managers would make poor decisions in terms of innovation. Large shareholders may not fully understand the current situation and future direction of the company with which they are affiliated (Jie & Youzhi, 2011). Strategic action by large owners may limit managers' desire to innovate (Grosfeld, 2009). Moreover, Edmans, Fang, & Zur, (2013) found that the R&D of the chosen enterprises is adversely correlated with hedge fund activism. According to reaction theory, managers are more inclined to reject the participation of large shareholders and spend time or resources trying to make their involvement unsuccessful to keep their control over the allocation of resources (David & Hillman, 2007). Money that could be utilized to support innovation will be lost as a result. Additionally, it is challenging to establish a positive rapport with management and prohibits them from discussing and exchanging expertise due to the strategic meddling of significant owners (Ruigrok, Peck, & Keller, 2006). Because of this, there is less sharing of creative information, which is damaging to businesses seeking to make the greatest innovative decisions (Zhang, Yang, Xu, & Zhu, 2018).

5. Conclusion and Recommendations

The paper concludes that shareholder activism significantly impacts the firm performance. However, studies report that shareholder activism positively influences the firm performance while other studies show that shareholder activism has a negative impact, whereas some studies have come up with the conclusion of insignificant impact. Furthermore, the collaboration of the firm's management and activist investors can take the business toward success. The current has focused on the objective organizational performance measure. Moreover, future studies can inculcate perceived (subjective) organizational performance factors such as leadership, employee motivation, organizational culture, knowledge management, etc. It is recommended that studies are required to find how to manage shareholder discontent to have better business success. Finding the relationship between shareholders' activism and corporate performance is crucial to ensuring the success and growth of the target companies. Leadership teams and practitioners require such knowledge when developing strategies for firm performance, and anticipating adjustments in the shareholder activism episode.

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