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The Crisis and the Activists and Raiders

For the past two weeks a number of activists and takeover raiders have sought to take advantage of the COVID-19 crisis by launching attacks on companies they view as vulnerable. Unlike the bedrock American companies drained by the crisis, there is ample dry powder in the coffers of some funds and companies to support the continuance of activist attacks and takeover raids. The threat of such attacks and raids is affecting all companies—mega-cap and small-cap. Now more than ever, this shows how the lack of regulation leaves a void encouraging short-termism, activism and takeover raids. This regulatory void adversely affects American companies and, today, most importantly, their employees.

My previous requests for regulatory changes to level the playing field were ignored on the Federal level. While some asset managers and institutional investors have embraced The New Paradigm I prepared for the World Economic Forum, others have not. The World Economic Forum, with its long support for stakeholder governance, sustainable long-term investment and elimination of inequality, has done its part. The Business Roundtable has done its part. The Federal government needs to do its part to address some of the underlying issues.

The power to eliminate activism and takeover raids that are taking advantage of the COVID-19 crisis is in the hands of the institutional investors. If they refuse to support activist hedge funds and takeover raiders, that will be the end of the menace to American companies and their employees. In a time of crisis, it is time for institutional investors and the organizations that represent them to be heard. Without the support of the real owners of companies, there is little chance for activists and raiders to be successful.

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