

Dancing with Family Owners: Is Shareholder Activism Effective in Family Firms?

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Abstract

We examine shareholder activism in family-controlled firms, focusing on how activists create value despite resistance. While family firms are less frequently targeted, and such campaigns often involve proxy fights with lower success rates and higher hostility, they yield higher short-term value gains and more favorable analyst forecasts. The results remain robust when using the CEO's number of male children as an instrument for family firm status. Family targets attract more media attention, and positive media coverage is associated with higher returns upon activism announcements. An event portfolio analysis further shows substantial long-term value gains post-activism for family targets. Investors' positive assessment of these gains is particularly pronounced when activism reduces family influence, restructures inefficient operations, and facilitates a transition to nonfamily ownership. Moreover, these campaigns generate positive spillover effects on industry peers, particularly other family firms. Overall, our findings highlight the critical role of activism in disciplining powerful family owner-managers.

Keywords: Shareholder activism, Family firm, Announcement return, Textual analysis, Hostile resistance, Board, Proxy fight, Spillover effect

JEL Classification: G14, G30, G32, G34

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1. Introduction

While prior research has extensively examined shareholder activism's impact on firm value (Brav et al., 2008; Greenwood and Schor, 2009; Bebchuk, Brav, and Jiang, 2015; Brav, Jiang, and Kim, 2015), activism's effectiveness in firms with controlling family owners remains largely unexplored.¹ As family owners typically have long-term horizons and strong preferences for control, a critical question arises: How do activists achieve value gains in these firms, where family owners are likely to significantly influence activism campaign outcomes? This gap in the literature is particularly notable given the global prevalence of family-controlled firms and their potential to shape the success of activist interventions (La Porta, Lopez-de-Silanes, and Shleifer, 1999; Franks et al., 2012).

This study addresses the gap by investigating the unique dynamics of shareholder activism in family firms, focusing on the channels through which value gains are realized. We explore whether activists can achieve gains that outweigh the costs of direct intervention, particularly when confronting opposition from entrenched family owner-managers. Additionally, we examine the sources of value creation in campaigns that target family firms, the level of hostility between activists and management, and the strategies employed by activists to achieve their objectives.

Prior research highlights family firms' unique characteristics, including low shareholder-manager conflicts due to controlling owners' active monitoring (e.g., Anderson and Reeb, 2003; Kang and Kim, 2020). However, these firms face agency conflicts between family and nonfamily shareholders, often driven by family owners' longer business horizons, emotional attachment, and desire to preserve family legacy (Villalonga and Amit, 2006). Unlike other large shareholders who primarily focus on cash flow and short-term performance (e.g., Bushee, 1998), family shareholders prioritize long-term survival and control.

¹ Despite limited empirical evidence, Elliott Management's activism campaign against Pernod Ricard illustrates the complexities of targeting family-controlled firms. In December 2018, Elliott, holding a 2.5% stake, criticized Pernod Ricard for poor M&A performance and underperformance relative to peers, attributing these to "inadequate corporate governance and lack of outside perspectives." Alexandre Ricard, the third-generation chair and CEO, defended the company's focus on long-term value creation, emphasizing consideration of all stakeholders (<https://www.pernod-ricard.com/en/media/pernod-ricard-responds-elliott-management-s-communication>).

Shareholder activism campaigns are initiated with the expectation that the benefits outweigh the associated costs. However, the mechanisms through which these campaigns enhance value vary significantly depending on the target firm's ownership structure. In family firms, where owner-managers exert considerable control through mechanisms, such as dual-class stock and disproportionate board representation (Villalonga and Amit, 2006), activist intervention presents a nuanced challenge. Family owners may perceive activist interventions as direct threats to their control and legacy, prompting strong resistance. Nonetheless, activists who effectively navigate these challenges can unlock substantial value by implementing critical organizational changes.

Activists can instigate necessary changes that effectively resolve conflicts between family and nonfamily shareholders. One significant avenue for value creation is initiating the sale of the company, a strategy that is particularly impactful in family firms where hostile takeovers are less likely (Franks et al., 2012). Previous studies suggest that shareholder activism is more effective than hostile takeovers in prompting entrenched managers to sell their firms, with mergers and acquisitions (M&As) serving as a key value-creation mechanism (Greenwood and Schor, 2009; Boyson, Gantchev, and Shivdasani, 2017; Corum and Levit, 2019; Burkart and Lee, 2022). Additionally, heightened public scrutiny in activist campaigns increases pressure on family firms, as family owner-managers are particularly sensitive to reputational risk (Mueller and Philippon, 2011; Kang and Kim, 2020).² Despite initial resistance, effective activist strategies can lead to substantial value increases in family firms, driven by their unique governance structures and heightened sensitivity to reputation.

We analyze a sample of 786 activism campaigns initiated by dissident groups against family and nonfamily firms listed in ExecuComp from 2006 to 2017. Although activists are generally less

² Studies indicate that media significantly enhances the effectiveness of shareholder activism by increasing visibility and accountability for corporate governance issues, particularly in environments with weak legal enforcement (Dyck, Volchkova, and Zingales 2008) and during short-selling campaigns (Appel and Fos 2023). For instance, the California Public Employees' Retirement System's (CalPERS) annual focus list of underperforming firms attracted media attention and compelled improvements in policies and performance. Since 2011, CalPERS has adopted a more private approach (<https://www.reuters.com/article/calpers-idukn1527836920101116>). Similarly, in 2017, Pershing Square Capital Management's Bill Ackman threatened to leverage media coverage against Automatic Data Processing to secure board seats and operational changes (<https://www.cnbc.com/2017/08/24/ackman-media-coverage-adp-proxy-battle.html>).

likely to target family firms, market reactions to campaign announcements are more positive for family than nonfamily targets, suggesting that investors perceive greater incremental benefits for family than nonfamily targets once a campaign is initiated. To address endogeneity in family firm status, following Bennedsen et al. (2007), who argue that family firms prefer male successors, we employ two-stage least squares (2SLS) regressions, using the CEO's number of male children as an instrumental variable (IV) for family firm status. Our results remain robust. Additionally, using an event portfolio regression approach (e.g., Ikenberry, Lakonishok, and Vermaelen, 2000), we find that a zero-cost portfolio where family targets are bought and nonfamily targets are shorted generates positive annual abnormal returns of 11.35%, 8.73%, and 10.03% over one-, two-, and three-year holding periods, respectively. Moreover, consistent with stock market valuation, analysts, another informed market participant group, revise their expectations for family targets more favorably than those for nonfamily targets. These results suggest that our findings are not simply driven by activists' superior ability to identify undervalued family targets.

We conduct several tests to identify channels through which activists create value in family target firms. First, we analyze post-campaign changes in family firm characteristics using a propensity-score matched (PSM) sample of family target firms (treatment firms) and family firms that are never targeted by activism during the sample period (control firms). Three years after the campaign announcement, the proportion of firms that remain family-owned and those where family owners retain block ownership is lower among the treatment than control firms. Additionally, forced turnovers of family CEOs and family board chairs departures occur more frequently in the treatment firms than they do in control firms. These results suggest that activists effectively restructure board composition to reduce family influence on firm decisions, thereby accelerating the exits of inefficient family businesses. Furthermore, announcement returns around post-campaign board restructuring, such as departures of family CEOs and directors, are significantly higher for treatment firms than for control firms, indicating that the market highly values activists' efforts to diminish family control.

Second, we examine cross-sectional heterogeneity in the valuation effects of activism campaigns, considering various family target characteristics and different stated campaign goals.

Prominent founding family members, particularly less-capable descendants, can intensify agency conflicts. Activists' demands for significant restructuring often signal a need for substantial governance and operational overhauls. Therefore, targets with entrenched family members, particularly less-qualified descendants, or with activists who demand the firm's liquidation or sale, are expected to experience higher value gains from activism campaigns than those without such family members or activists. Consistent with these expectations, we find that the market's *ex ante* valuation of activism campaigns is more favorable for family targets with high entrenchment indexes (Bebchuk, Cohen, and Ferrell, 2009), indicating potential benefits from governance and operational changes. Market reactions are also more positive for family targets where a family member, particularly a less-qualified descendant (*i.e.*, not an Ivy League graduate or MBA holder), holds an executive directorship, and for those where activists demand liquidations or asset sales.

Third, we explore the variation in activism tactics and success rates across campaigns. Activists who target family firms often face strong resistance from family owner-managers, leading them to adopt more aggressive strategies, such as proxy contests (Gantchev, 2013), and prolonged engagements. Despite these tactics, whether they increase the likelihood of campaign success is uncertain. Our analysis shows that activists are more likely to engage in proxy fights and face longer exit times when targeting family firms. They also frequently seek board representation, with markets responding positively to appointments of activist-nominated directors. However, the likelihood of campaign success is significantly lower for family firms. These findings, combined with the higher valuation effects in family firm campaigns, indicate that, while activism targeting family firms is more costly, time-consuming, and less likely to succeed, it ultimately generates benefits that outweigh the associated costs.

Fourth, we analyze whether valuation effects are influenced by the interaction between a target firm's degree of hostility toward dissident groups and the specific characteristics of the family targets and campaigns. If activist interventions in family firms are effective and benefit shareholders, campaigns that face hostile responses from family-controlled targets—particularly those with pronounced agency conflicts or operational inefficiencies—are likely to be viewed positively by markets. Our results suggest that market reactions to campaign announcements are

more favorable when hostile family targets are governed by dual-class stock structures, when activists aim to eliminate operational inefficiencies in these firms, and when substantial changes—such as transitioning to a nonfamily firm or removing family members from board leadership positions—are deemed necessary.

We conduct additional analyses to understand the factors contributing to higher value gains in campaigns that target family firms. First, we examine the market's *ex ante* valuation of activism campaigns when targets have other nonfamily blockholders, such as the CEO, dedicated (Bushee, 1998), and long-term independent institutional blockholders (Chen, Harford, and Li, 2007). Our findings provide little evidence that these blockholders are associated with higher value gains. Given family firms' distinctive characteristics, which make hostile takeovers less feasible, activist interventions appear to serve as a crucial external disciplinary mechanism for driving value creation in family-controlled firms. Second, we investigate whether family targets receive more media attention than nonfamily targets and whether positive media coverage—which reflects favorable views from various stakeholders—is associated with higher returns at activism announcements, particularly for family targets that are considered to have greater reputation concerns. We find that family targets generate more firm-specific news articles, and that positive media attention is associated with larger incremental value creation for family targets compared to nonfamily targets. These findings complement prior studies (Dyck, Volchkova, and Zingales, 2008; Appel and Fos, 2023), which highlight the importance of reputation and positive media coverage in influencing market responses to shareholder activism. Third, we explore whether the benefits of campaigns that target family firms extend to other nontarget family firms. If shareholder activism effectively disciplines family firms, we would expect these campaigns to generate more positive spillover effects than those of campaigns against nonfamily firms. Our analysis of portfolio abnormal returns for nontargeted industry peers indicates that activism campaigns targeting family firms create more favorable industry spillover valuation effects than those targeting nonfamily firms. This spillover effect is pronounced among family peer firms, particularly when they subsequently become targets of activism campaigns and have higher long-term independent institutional block ownership. The stock market seems to learn from ongoing

campaigns about potential activism targets and recognizes the potential role of long-term nonfamily shareholders in prompting firms to improve performance and policies in response to post-campaign competitive pressure. These findings extend Gantchev, Gredil, and Jotikasthira (2019), further enhancing our understanding of how activist pressure influences firm behavior across an industry.

Our study makes several key contributions to the literature. First, it complements prior work exploring the source of value creation in activism campaigns (e.g., Brav et al., 2008; Brav, Jiang, and Kim, 2015; Appel, Gormley, and Keim, 2019; Albuquerque, Fox, and Schroth, 2022; Flugum, Lee, and Souther, 2022; He and Li, 2022; Appel and Fos, 2023).³ While prior studies do not specifically account for controlling family owners, our study shows that campaigns targeting family firms have significant value-enhancing impacts.⁴ Our findings indicate that activists maximize value gains in campaigns targeting family firms by mitigating agency conflicts through reducing founding family members' influence and facilitating inefficient family firms' transition to nonfamily ownership.

Second, our study extends the literature on activist shareholders' role in the market for corporate control (Greenwood and Schor, 2009; Boyson, Gantchev, and Shivdasani, 2017; Corum and Levit, 2019; Burkart and Lee, 2022). Greenwood and Schor (2009) find that abnormal returns for activism targets are higher when activists successfully facilitate sales of target firms. Recent theoretical work emphasizes shareholder activism's effectiveness compared to that of hostile takeovers (Corum and Levit, 2019; Burkart and Lee, 2022). Specifically, Corum and Levit (2019) argue that activist investors have an advantage over acquirers in pressuring entrenched managers

³ For example, Albuquerque, Fos, and Schroth (2022) employ a structural estimation approach to decompose the returns associated with activist announcements and show that a significant portion of value creation stems from expected value improvements rather than stock picking or selection bias. Recent studies further show specific mechanisms underlying the emergence and effectiveness of shareholder activism, including short-selling campaigns (Appel and Fos, 2023), information flow between activist investors and other market participants (Flugum, Lee, and Souther, 2022), and social networks between activist and institutional investors (He and Li, 2022).

⁴ Most studies do not examine how a target firm's ownership structure influences the activism tactics used in a campaign. The only exception is Appel, Gormley, and Keim (2019), who investigate how the presence of passively managed mutual funds affects activists' tactics. However, mutual funds differ from family shareholders, since they act as their clients' agents, and their managers tend to be primarily interested in target firms' short-term performance rather than control. Thus, their preferences and controlling incentives are likely to differ from those of family owners.

to sell their firms. Our findings suggest that the benefits of activists' value-enhancing role in the market for corporate control are greater in campaigns that target firms with entrenched family shareholders who prioritize maintaining control.

Third, our study contributes to the literature on the evolution of family ownership. Previous research has explored the factors that influence the prevalence and life cycle of family firms (Mueller and Philippon, 2011; Franks et al., 2012). Specifically, family shareholders' desire to avoid control dilution and their long-term investment horizon reduce the likelihood of M&A transactions (e.g., Gaspar, Massa, and Matos, 2005). Our findings demonstrate that activism campaigns effectively prompt liquidations or sales of family firms, facilitating their transition into nonfamily firms.

The remainder of the paper is structured as follows. Section 2 describes the sample and defines key variables. Section 3 compares the impact of shareholder activism on firm value between family and nonfamily targets. Section 4 explores the value creation channels in family firms resulting from activist intervention. Section 5 analyzes differences in target firms' hostile responses, activist tactics, and success rates between family and nonfamily firms, as well as cross-sectional heterogeneity in the valuation effects of hostile responses. Section 6 presents additional tests, including activism valuation effects for firms with nonfamily blockholders, the impact of media coverage on campaign announcement returns, and spillover effects on industry peers. Section 7 concludes the paper.

2. Data and Variable Definitions

2.1 Sample and variable definitions

We focus on ExecuComp firms and manually gather data on family firm status from various sources. We then match them to firms covered by Compustat and the Center for Research in Security Prices (CRSP) to obtain the initial sample.⁵ To identify firms targeted by activist campaigns, we use the SharkRepellent database, which includes Form 13D filings and other purposeful campaigns (e.g., Boyson and Pichler, 2019; Gantchev, Sevilir, and Shivdasani, 2020).

⁵ Our data sources include proxy statements detailing director biographies, the Business Week list of family firms (November 10, 2003), Board Analyst, BoardEx, and company websites.

Our sample period is from 2006 to 2017. We begin the sample period in 2006 because complete data on activist campaigns against all U.S. incorporated firms become available in SharkRepellent from 2006. We end the sample period in 2017 because we require three additional years following a campaign announcement for post-campaign long-term performance analyses. Institutional ownership information is collected from the Thomson 13F database. We obtain financial and stock return data from Compustat and CRSP, respectively. We exclude from the sample firms in financial (Standard Industry Classification (SIC) 6000-6999) and utility industries (SIC 4900-4999) and those with missing values for key variables. Our final sample comprises 786 activism campaigns. Following previous studies on family firms in the U.S. (e.g., Anderson and Reeb, 2003; Villalonga and Amit, 2006; Kang and Kim, 2020), we identify family firms using two criteria: equity ownership by a founding family and the presence of family members on the board or management team. We define family firms as firms in which founding family members, individually or as a group, have equity ownership exceeding 5%, or at least one founding family member sits on the board or is in top management.

Panel A of Table 1 presents the distribution of activism campaigns by family firm status and year. Family target firms account for 32% of our sample's shareholder activism campaigns. In untabulated tests, we find that the unconditional probability of a family (nonfamily) firm covered in ExecuComp becoming the target of an activism campaign in a given year is 4.53% (5.99%), suggesting that activists are less likely to target firms with controlling family owner-managers. As Internet Appendix A.1 shows, we also estimate logit and linear probability model regressions with whether a firm is targeted by shareholder activism as the dependent variable. We use two types of control firms, measured one year before the activism announcement date: (1) three randomly selected nontarget firms from ExecuComp that have never been targeted and (2) industry- and size-matched firms with the same four-digit SIC code and closest total assets. Our findings remain consistent across the analyses using both types of control firms. We also examine whether family firms with certain attributes—such as poor past performance, dual-class shares, and extensive family involvement—are more likely to attract activism. However, we find no clear evidence that these characteristics specifically attract activism campaigns.

Panel B presents the distribution of activism campaigns by family firm status and ten Fama-French industries. Campaigns initiated against family firms are most common in high-tech business equipment industries, followed by wholesale, retail, and some service industries, as well as other industries. Similarly, campaigns initiated against nonfamily firms are most prevalent in high-tech business equipment industries, followed by manufacturing industries, and then wholesale, retail, and some service industries.

Panel A of Table 2 presents the distribution of activism campaigns by activists' stated goals. Activism campaigns can have multiple stated goals; thus, the number of goals reported in the panel may exceed the number of campaigns. The goal of more than one-third of activism campaigns—and most frequent campaign goal demanded by activists in both family and nonfamily targets—is changing target firms' governance and directors/management.⁶ The other most frequently stated campaign goals in both types of campaigns are liquidation/sale of the target firms or their assets, financial restructuring (e.g., changes in payout, financing, and capital structure policies), and operational restructuring (e.g., business restructuring and spin-offs).

Panel B presents the distribution of activism campaigns by activist type: financial institutions, corporations, labor unions, individuals, and others (e.g., nonprofit organizations, proxy voting services). As multiple dissident groups can participate in the same activism campaign, the number of dissident groups reported in Panel B may exceed the number of campaigns. Financial institutions, particularly hedge funds, are the most frequent activists in campaigns targeting both family and nonfamily firms, followed by individuals and corporations in campaigns targeting family firms, and by corporations and individuals in campaigns targeting nonfamily firms. The Kolmogorov–Smirnov test indicates that family and nonfamily targets' overall distributions of activism campaigns by activists' stated goals and type are not significantly different.

2.2 Summary statistics

Table 3 presents the summary statistics for family and nonfamily targets and activism campaigns; detailed variable descriptions are provided in the appendix. All variables are measured

⁶ These changes include enhancing board independence, revamping compensation practices, rescinding takeover defenses, replacing the CEO or chair, and improving disclosure policies.

as of the fiscal year prior to the announcement of the activism campaign, and continuous variables are winsorized at the 1% level to mitigate the impact of outliers. Most firm characteristics between family and nonfamily targets exhibit no significant differences, except that family targets have higher sales growth and capital expenditures. Consistent with prior studies, family targets also have a significantly higher proportion of dual-class stocks (e.g., Gompers, Ishii, and Metrick, 2010), whereas nonfamily targets have more nonfamily independent directors on their boards.

The table highlights varying founding family involvement in management and board roles. About 47% of family targets have at least one influential family member in both roles, and nearly 43% have descendants holding these positions. Notably, about 32% of family targets have less-qualified family members, defined as those lacking Ivy League degrees or MBAs (Bertrand and Schoar, 2003; Pérez-González, 2006), which may indicate potential conflicts between family and nonfamily shareholders.

Examining activism campaign characteristics, we find that dissident groups have a lower frequency of partial goal achievement in family than nonfamily targets (44.5% vs. 53.4%). However, other characteristics of family and nonfamily targets—such as campaign duration, success in achieving primary goals or reaching agreements, and use of proxy fights—do not significantly differ.

3. Effect of Shareholder Activism on Firm Value

3.1 Activism announcement returns

We examine cumulative abnormal returns (CARs) around dissident shareholders' announcements to assess the impact of shareholder activism on firm value and cross-sectional heterogeneity. Abnormal returns are computed using Carhart's (1997) four-factor model. The parameters are estimated using 250 trading days of data, starting 270 days before and ending 21 days before the announcement date, with the CRSP value-weighted index return serving as a proxy for the market portfolio return. CARs are calculated from 20 days before to 20 days after the announcement date. To account for potential information leakage due to the Williams Act's Schedule 13D filing requirements, we use a longer event window from day -20 to day +20,

following Brav et al. (2008).⁷ While resistance from family owners may increase costs and reduce the likelihood of successful campaigns, those targeting family firms offer significant value creation through organizational changes and improved governance. This potential for value creation is expected to translate into more positive CARs for family targets.

Columns (1) and (2) of Table 4 present the results from ordinary least squares (OLS) regressions in which the dependent variable is *CAR* (-20, 20).⁸ The regressions control for firm characteristics that affect the valuation impact of activist intervention, including firm size, past performance (ROA, market-to-book ratio, stock returns), leverage, R&D intensity, capital expenditures, and payout ratio (Brav et al., 2008; Brav, Jiang, and Kim, 2015). They also control for governance and activism characteristics, such as institutional ownership levels and concentration,⁹ the proportion of nonfamily independent directors, dual-class firm status, and indicators of whether the activist is a blockholder or whether the campaign is sponsored by hedge funds institutions known for specialized activism (e.g., Israelsen, Schwartz-Ziv, and Weston, 2024). All variables are measured for the fiscal year preceding the campaign.¹⁰ Industry and year fixed effects are included to account for industry-specific factors and time trends, with robust standard errors clustered at the industry level to address potential correlations in error terms within an industry (e.g., Aslan and Kumar, 2016).¹¹

In column (1), in which various firm-level characteristics are controlled, the coefficient on *Family firm*—an indicator that equals one for family targets and zero for nonfamily targets—is positive and significant at the 1% level. In column (2), this result remains consistent after including

⁷ The Williams Act mandates filing Schedule 13D within ten days of acquiring more than 5% of a firm's equity. Robustness tests using *CAR* (-20, 1) and *CAR* (-10, 1) yield consistent results.

⁸ Univariate tests show that the mean (median) *CAR* (-20, 20) is 5.78% (4.47%) for nonfamily firms and 7.43% (6.36%) for family firms, both significant at the 1% level. The difference in median *CAR* between the two groups is significant at the 10% level.

⁹ Consistent results are obtained when using the Shapley value of institutional blockholders, which gauges shareholders' coordination ability.

¹⁰ Our results remain unchanged when we use stock returns from 276 to 21 days before the announcement date, instead of returns from the past fiscal year.

¹¹ We do not cluster standard errors at the firm level, as more than 75% of firms are targeted by activism campaigns only once during the sample period. Although the results remain similar, some coefficients become weaker when firm-level clustering is used.

controls for activist campaign characteristics. The coefficient of 0.031 indicates that announcements of campaigns that target family firms result in a *CAR* $(-20, 20)$ that is 3.1% higher than that of campaigns targeting nonfamily firms. Given our sample targets' mean equity market value of \$9.34 billion prior to the event, this translates into an average additional value gain of \$289.54 million for family targets. Thus, campaigns targeting family firms generate statistically and economically significant shareholder value gains that are greater than those targeting nonfamily firms.

Campaign objectives can influence tactics, negotiation styles, and the market's ex-ante assessment of a campaign. To mitigate the concern that our results may be driven by specific campaign objectives, we include indicator variables for each stated campaign goal, as shown in Panel A of Table 2. Including these variables does not alter our results. Additionally, to ensure that our findings are not concentrated among campaigns initiated by hedge funds (e.g., Israelsen, Schwartz-Ziv, and Weston, 2024), we also control for activist fixed effects. These untabulated results remain consistent, indicating that neither campaign objectives nor hedge fund involvement drives our findings.

The results in columns (1) and (2) raise concerns about the endogeneity of family firm status, as unobservable firm characteristics could simultaneously influence both a founding family's decision to maintain control and firm value. To address this issue, we follow Bennedsen et al. (2007) and use the CEO's number of male children as an instrument for family firm continuation. This variable is exogenous and significant in determining family firm status but is unlikely to directly impact firm value, satisfying the instrument's relevance and exclusion requirements.¹² In column (3), the number of male children is positively and significantly related to *Family firm* at the 1% level, with a Montiel-Pflueger effective *F*-statistic of 23.31, rejecting the null hypothesis

¹² Bennedsen et al. (2007) use Danish Civil Registration data to obtain CEO family trees, employing the gender of the firstborn and the number of male children as instruments for family succession. As such data are unavailable in the U.S., we manually collect information about CEOs' children from sources like Marquis Who's Who, Wikipedia, Notable Names Database, and Google. We also contact firms' investor relation terms and email CEOs via LinkedIn Premium. Due to incomplete or unverifiable data regarding the firstborn child's gender, we use a CEO's number of male children as our instrument. We thank Cronqvist and Yu (2017) for sharing their data on the number of male children of S&P 500 CEOs from 1992 to 2012.

of weak identification. Column (4) presents the second-stage regression in which the instrumented *Family firm* remains positively and significantly associated with *CAR* (-20, 20) at the 1% level, indicating that endogeneity concerns are unlikely to drive the higher announcement returns of family targets. The coefficient magnitude is greater than that of the OLS regressions in columns (1) and (2), consistent with Bennedsen et al. (2007). Bennedsen et al. (2007) suggest that family owners are more likely to manage their business when they anticipate performance improvements, which could explain why valuation effects are higher in the IV regression. Similarly, activist shareholders may anticipate greater value gains from targeting family firms but be deterred by strong resistance from these firms, leading to a lower likelihood of targeting family firms compared to nonfamily firms. This selection bias could result in OLS underestimating the potential benefits of activism for family firms.

3.2 Post-campaign long-term stock performance

We conduct an event-time portfolio analysis to assess the targets' long-term abnormal returns following campaign announcements. This approach mitigates concerns about selection bias, specifically whether the market's more positive reaction to campaigns targeting family firms merely reflects activists' ability to identify undervalued targets (Brav et al., 2008). If the market fully accounts for a family target's undervaluation at the time of an announcement, higher post-campaign long-term returns should reflect the incremental value added by activist intervention, rather than the initial selection.

Following Ikenberry, Lakonishok, and Vermaelen (2000), we construct equally weighted portfolios of target firms. Each firm is retained in the portfolio for 12, 24, and 36 months from the campaign announcement month, with monthly rebalancing. Firms are excluded if their 13D/A filing date or activism end date, as reported in SharkRepellent, occurs before the holding period ends. Firms transitioning from family to nonfamily status during this period are also removed. Excess returns are calculated using the intercept of Carhart's (1997) four-factor regression.

Table 5 presents the results. For the subsample of family firm portfolios with holding periods of one, two, and three years, the alpha values are 0.015, 0.010, and 0.007, respectively; all are significant at the 5% level or better. In contrast, the corresponding alpha values of 0.002, 0.001,

and 0.001, respectively, for the subsample of nonfamily firm portfolios are small and statistically insignificant. We form a zero-cost portfolio that buys family targets and sells nonfamily targets. If the difference in long-term abnormal returns between family and nonfamily targets is economically significant, this hedging portfolio strategy should yield positive returns. The alpha values for these zero-cost portfolios over one, two, and three years are 0.009, 0.007, and 0.008, respectively; all of which are statistically significant, yielding annual abnormal returns of 11.35%, 8.73%, and 10.03%, respectively.

We conduct three additional tests to validate our findings. First, repeating our analysis using a value-weighted portfolio yields qualitatively similar results (not reported). Second, we assess whether higher activism announcement returns and long-term abnormal stock returns for family target firms lead to larger improvements in long-term operating performance. We calculate industry-adjusted ROA by subtracting the median ROA of firms in the same Fama-French 48 industry from the target firm's ROA. We then measure the change in industry-adjusted ROA from $Year_{t-1}$ to $Year_t$ (the average of $Year_t$ and $Year_{t+1}$ and average of $Year_t$, $Year_{t+1}$, and $Year_{t+2}$) where $Year_t$ is the campaign announcement year and estimate OLS regressions with this change as the dependent variable. The results, detailed in Internet Appendix A.2, show significantly larger ROA increases for family targets than those for nonfamily targets up to $Year_{t+2}$. Third, in an untabulated test, we examine whether post-campaign long-term stock outperformance for family targets is influenced by nonrandom attrition. We compare attrition rates between family and nonfamily targets that disappear from Compustat within two years post-campaign and find no significant difference between them (21.64% vs. 20.00%). Thus, our results are unlikely to be driven by attrition bias.

These findings underscore that our results reflect the influence of activists rather than mere stock-picking ability. They also suggest that the long-term performance improvements following hedge fund activism (Brav et al., 2008; Bebchuk, Brav, and Jiang, 2015) are largely driven by firms with controlling family shareholders.

3.3 Changes in analysts' expectations around activism campaigns

We examine whether analysts, leveraging their sophisticated market insights and detailed knowledge of target prospects, can recognize the incremental benefits of activism in family-owned firms. Analysts' forecast revisions reflect their updated expectations following activist intervention, serving as a forward-looking measure. For this analysis, firms are required to be covered by more than three analysts in both the pre- and post-campaign periods. Untabulated univariate tests show that the change in analysts' expectations from $Year_{t-1}$ to $Year_t$ is statistically insignificant for both types of target firms. We present the regression analyses in Table 6. Column (1) reports the OLS regression in which the dependent variable is $\Delta \text{Analysts' expectations}_{Year\ t - Year\ t-1}$, measured as the change in the ratio of analysts that upgrade their forecasts for the target firm to the total number of analysts following the firm, from the 12-month pre-campaign period to the 12-month post-campaign period. Independent variables except the indicator variables are lagged. The coefficient on *Family firm* is positive and significant at the 5% level, indicating that a greater proportion of analysts revise their forecasts upward when the campaign targets family firms. This suggests a more favorable stance by analysts toward the value-enhancing role of activist intervention in these firms. The results remain consistent in 2SLS regressions using the CEO's number of male children as an instrument for family firm status (columns (2) and (3)).

Overall, analysts, as informed financial experts, align with other investors in recognizing the incremental benefits of shareholder activism in family firms.

4. Channels of Value Gains in Shareholder Activism

4.1 Post-campaign adjustments in family firm characteristics

To explore how activists enhance the value of family targets, we analyze changes in family firm characteristics from $Year_{t-1}$ to $Year_t$ ($Year_{t+1}$, $Year_{t+2}$) in a subsample of family target firms (treatment firms) and their propensity score-matched sample of family nontarget firms (control firms). We match each family target firm with a control family firm that does not experience activism during our sample period, using firm characteristics from the regressions in Table 4, with year and industry fixed effects as matching covariates. We employ one-to-one nearest-neighbor matching without replacement. Panel A of Table 7 shows no significant differences in the mean

values of the matching covariates between the 250 treatment and 250 control firms, indicating that our PSM approach effectively identifies control firms that are similar to the treatment firms.

In Panel B, we compare post-campaign adjustments in family firm characteristics between the treatment and control firms. Columns (1) to (4) focus on changes in family firm status and founding family block ownership within three years following activist intervention, with more frequent adjustments observed after two years. Compared to family nontargets, family targets are more likely to transition to nonfamily firms and reduce block ownership to nonblock status. These findings align with those of Franks et al. (2012), who emphasize the role of an active market for corporate control in the evolution of family businesses. Internet Appendix A.3 reveals that activists often prompt family owner-managers to sell their firms to third-party bidders, facilitating the transition from family to nonfamily status (Corum and Levit, 2019; Burkart and Lee, 2022). Logit regression analysis indicates that family targets are more likely than nonfamily targets to be acquired by third-party bidders within two years of the campaign announcement. Additionally, family targets with at least one founding family member, particularly founders, serving on the board or in top management roles, are more likely to be acquired.

Next, we examine whether activist intervention diminishes the influence of family members in management and on the board. Given that activists aim to increase target value, they are likely to curtail excessive family control, which prior studies have identified as a factor contributing to the family firm discount (Villalonga and Amit, 2006). Supporting this view, we find that treatment firms experience higher rates of forced family-CEO turnover¹³ (columns (5) and (6)) and increased departures of family chairs and non-CEO family directors from the board (columns (7) to (10)) than control firms. Similar to the changes in family firm status and block ownership, these effects become more evident after two years, indicating that post-campaign adjustments are gradual and costly to implement.

In Panel C of Table 7, we assess how the stock market responds to changes in family targets' top management and board composition following the campaign. We obtain announcement dates

¹³ We thank Peters and Wagner (2014) and Jenter and Kanaan (2015) for providing us with their forced CEO turnover data.

for CEO and director departures from the Audit Analytics Director and Officer Changes database.¹⁴ In columns (1) and (2), the mean *CAR* (-5, 1) is positive for treatment firms and negative for control firms. Although the *CAR*s are not significantly different from zero, the difference in the means between the treatment and control firms is significant at the 10% level. Further analysis using subsamples for departures of family CEOs (columns (3) and (4)) and other non-CEO family directors (columns (5) and (6)) reveals that the difference in *CAR* (-5, 1) is significant only for departures of non-CEO family directors. These findings suggest that the stock market values departures of family members, especially non-CEO directors, from the target's board following the campaign.

In Internet Appendix A.4, we extend our analysis to nonfamily targets, applying the same propensity score matching to identify 536 nonfamily treatment firms and 536 nonfamily control firms. Our findings indicate that activist shareholders pursue similar strategies in both nonfamily and family targets, focusing on board restructuring and replacing the CEO and key executives. In Internet Appendix A.5, we compare how the market responds to changes in top management and board composition between family and nonfamily firms. While the market responds positively to post-campaign adjustments in family treatment firms compared to their control firms, we do not observe significant differences in *CAR* (-5, 1) between nonfamily treatment firms and their respective control firms. This difference is largely driven by market reactions to departures of non-CEO directors, suggesting that the market values the removal of non-CEO family directors. With the exception of leverage in $Year_{t+1}$ and $Year_{t+2}$, untabulated tests reveal that activists targeting family firms generally do not significantly alter firm policies—including payouts, investments, and cash holdings—identified in prior studies as activism's value-creation channels (Brav, Jiang, and Kim, 2015). This implies that activists focus more on reshaping management and boards in family firms than on changing financial and investment policies.

¹⁴ The Audit Analytics Director and Officer Changes database tracks 8-K filings of director appointments and departures. Following prior studies (e.g., Lerman and Livnat, 2010; Kang et al., 2022), we focus on *CAR* (-5, 1), where day 0 is the date of the 8-K filing's acceptance by the U.S. Securities and Exchange Commission. We exclude filings if other major corporate events (e.g., M&As, quarterly earnings announcements, dividend payments, and management guidance updates) occur within five days before and one day after the filing date.

Overall, the findings suggest that activists seek to transform family businesses into nonfamily businesses by restructuring their top management and boards, with value creation primarily stemming from reducing family influence in board decision-making.

4.2 Cross-sectional heterogeneity in the valuation effects of activism campaigns

We conduct cross-sectional tests to identify the conditions under which activists enhance family target values. Specifically, we examine whether family targets with higher agency problems or lower efficiency benefit more from shareholder activism, consistent with previous findings that activism tends to increase value in such cases (Brav et al., 2008).

Table 8 presents the results for a subsample of family target firms in which the dependent variable is *CAR* (-20, 20). In column (1), the key independent variables are *Post-campaign adjustment (indicator)* and *High E-index (indicator)*. *Post-campaign adjustment (indicator)* equals one if a family firm undergoes any of the following changes within three years of the campaign's initiation, and zero otherwise: a status change to a nonfamily firm, reduced family block ownership to nonblock status, involuntary replacement of a founder or descendant CEO by a nonfamily CEO, replacement of a founder or a descendant chair by a nonfamily chair, or fewer family directors on the board, excluding CEO directors and board chairs. *High E-index (indicator)* equals one if a family firm's E-index (Bebchuk, Cohen, and Ferrell, 2009) is equal to or above the sample median, and zero otherwise. We find that neither *Post-campaign adjustment (indicator)* nor *High E-index (indicator)* is significant. However, in column (2), the interaction between these variables is positive and significant at the 10% level, indicating that investors favor governance revamps in family firms with entrenched owner-managers. In column (3), the key independent variable is *Prominent family member (indicator)*, which equals one if at least one family member holds an executive directorship, and zero otherwise. The positive and significant coefficient suggests that markets view campaigns more favorably when influential family members control the target. In column (4), this variable is divided into *Prominent descendant (indicator)* and *No prominent descendant (indicator)*, with only the former positive and significant at the 5% level. This aligns with prior research showing that descendant CEOs can harm firm value (e.g., Pérez-González, 2006; Villalonga and Amit, 2006), indicating that removing them via activist intervention may

increase value. In column (5), *Prominent descendant (indicator)* is further divided into *Less-qualified prominent descendant (indicator)* and *More-qualified prominent descendant (indicator)*, based on Ivy League education or MBA degrees (e.g., Bertrand and Schoar, 2003; Pérez-González, 2006). The results reveal that positive market reactions are concentrated among firms with less-qualified influential descendants. In column (6), when activists' stated goals are used as independent variables, only the coefficient on *Activists' stated goal: liquidation/sale of company or assets (indicator)* is positive and significant at the 5% level.

Overall, the results suggest that shareholder activism adds value to family targets primarily when conflicts between family and nonfamily shareholders are high or when activists reallocate family assets for more effective use.

5. Hostility, Activism Tactics, and Market Assessment of Targets' Responses

5.1 Using textual analysis to measure hostility in activist campaigns

We measure hostility between activists and target management through textual analysis of 13D filings at campaign initiation and DEFA14A filings from three months before to 12 months after the campaign announcement. The cleaned texts of the 13D and DEFA14A filings are obtained from SEC Analytics. 13D filings often include dissident letters or press releases. For example, in a 13D filed on January 25, 2016, Harvest Capital Strategies LLC criticized Green Dot Corp.'s management: "Harvest can no longer sit idly by while the Board of Directors and CEO Steve Streit continue to destroy shareholder value quarter after quarter. As shareholder value burns, Mr. Streit and his board continue to fiddle. As such, we have no choice but to make our concerns regarding Green Dot publicly known at this time." Similarly, DEFA14A filings frequently feature rebuttals. For example, in a DEFA14A filed by Providence Service Corp. on February 12, 2009, includes Fletcher McCusker's critique of dissidents: "We are at a complete loss to understand, how anyone, including Don Smith, could believe that initiating a costly, distracting and disruptive consent solicitation against Providence is in the best interest of all Providence stockholders."

Using Loughran and McDonald's (2011) financial sentiment dictionaries, we assess the tone by calculating the ratio of the difference between negative and positive words to the total number of words in the filings. This ratio measures the activists' stance in 13D filings and the target

management's hostility in DEFA14A filings. In untabulated tests of 494 campaigns with 13D filings, regression analysis indicates that activists adopt a significantly more negative stance toward family target management (p -value = 0.06). Similarly, in 153 campaigns with DEFA14A filings, family target management uses a more negative tone in its responses to dissident groups, even after controlling for the frequency of responses.

These findings highlight a distinct dynamic in activist campaigns involving family-controlled firms, in which both activists and target management engage in more hostile language.

5.2 *Proxy fights and activism success*

In Table 9, we analyze activism tactics and success rates. In column (1), we estimate a logit regression in which the dependent variable is *Proxy fight*, which equals one if the activism campaign escalates to the stage where dissident groups attempt to persuade shareholders to use their proxy votes, and zero otherwise. The positive and significant coefficient on *Family firm* at the 5% level suggests that campaigns against family firms are more likely to escalate into costly and aggressive proxy contests. The finding extends Fos (2017) by demonstrating that family ownership is an important factor in the unfolding of proxy contests. Column (2) presents a Cox proportional hazard model in which the dependent variable is *Duration of activism*, measured from the announcement date to the last 13D/A filing or activism end date. The results indicate that family firms reduce the hazard of activists' exit by 14.4 percentage points, implying that campaigns against family firms last about 2.59 months longer than those against nonfamily firms, given an average campaign duration of about 18 months.¹⁵ In columns (3) and (4), we classify campaigns into three groups based on SharkRepellent's synopsis and estimate a multinomial logit regression. In column (3), the dependent variable is an indicator equal to one for successful campaigns where activists achieve their primary goals or reach an agreement with the target. In column (4), the dependent variable is an indicator equal to one for partially successful campaigns where activists partially achieve their campaign goals. The base category consists of campaigns where activists exit the target without achieving their stated goals. The coefficient on *Family firm*

¹⁵ The hazard ratio is calculated as $[(1 - 0.856) \times 100]$.

is negative and significant only in column (3), and the difference between the two coefficients is significant (p -value = 0.04). The findings suggest that activists are significantly less likely to succeed or reach an agreement with family firms and more likely to exit without achieving their goals.

However, the market's favorable view of activist interventions in family firms, as discussed in Section 3.1, seems inconsistent with the lower likelihood of campaign success. A potential explanation lies in the complex dynamics of these campaigns, particularly the hostility exhibited by activists toward management and the resulting counter-resistance (Boyson and Pichler, 2019). These factors appear to complicate the stock market's ability to predict outcomes based solely on observable characteristics.

As a further test, we examine whether activists more frequently seek board seats in family firm campaigns. Internet Appendix A.6 shows that family targets are 2.59 percentage points more likely to appoint activist-nominated directors than nonfamily targets. The difference is economically large and statistically significant, given that activist-nominated directors account for 13.4% of new board appointments within three years of a campaign announcement. The market also responds more favorably to these appointments at family targets.

Overall, while activists often employ costly and confrontational tactics, they frequently exit without achieving their primary goals. Nevertheless, the higher short- and long-term value gains for family firms suggest that, despite these confrontations, the benefits outweigh the costs.

5.3 Market assessment of target firms' hostile responses to dissidents

We examine how the stock market evaluates hostile responses from family targets with different characteristics and campaign objectives. If activism effectively addresses family firm agency problems or inefficiencies, the market's positive reaction should be stronger for campaigns targeting these firms, particularly when activists face greater resistance.

Table 10 presents the results, where the dependent variable is *CAR* (-20, 20). We include *Activist's hostile response (indicator)*, which equals one if the mean ratio of the difference between negative and positive words in the first 13D filing to the total number of words in the filing is above the sample median, and zero otherwise (or if 13D filings do not exist). Similarly, *Target's*

hostile response is an indicator that equals one if the mean ratio of the difference between negative and positive words in a firm's DEFA14A exceeds the sample median, and zero otherwise. If DEFA14A filings are not available, *Target's hostile response* is set to zero. In addition to control variables from column (2) of Table 4, we also include *Log (number of filings+1)*, the natural logarithm of one plus the total number of DEFA14A filings by the target firm from 3 months before to 12 months after the announcement month. In columns (1) and (2), dual-class firm structure and operational restructuring are used as proxies for agency problems and operational inefficiency, respectively.¹⁶ The key independent variables include the triple interaction term of *Target's hostile response*, *Family firm*, and an indicator for agency problems (operational inefficiency). The positive and significant coefficients on the triple interaction terms suggest that the market reacts more favorably to hostile family targets with dual-class stock structures or operational inefficiencies. In columns (3) and (4), *Family firm* is divided into indicators based on whether the family firm transitions to nonfamily status or experiences the departure of a family board chair within three years of the campaign. We find that the coefficients on the interaction terms between *Target's hostile response* and the indicators for firms undergoing these changes are positive and significant, whereas those for firms without such changes are negative and insignificant.¹⁷

Thus, valuation effects are more positive when activists take decisive steps to reduce conflicts between family and nonfamily shareholders, particularly in firms that strongly resist activist campaigns.¹⁸

6. Additional Tests

¹⁶ For other *activists' stated campaign goals* in Panel A of Table 2, their interactions with *Family firm* and *Target's hostile response* are insignificantly related to *CAR* (-20, 20).

¹⁷ In untabulated tests, we reestimate the regressions in Table 10 by replacing *Target's hostile response* with *Activist's hostile response*, an indicator that equals one if the ratio of the difference between negative and positive words to the total number of words in the 13D filing submitted by the activist at campaign initiation exceeds the sample median, and zero if it is below the median or if no 13D filings exist. We find that only the coefficient on the triple interaction term involving *Dual-class firm* in column (1) is positive and significant. This suggests that the market more favorably values campaigns when activists take a hostile stance toward family targets with higher agency problems.

¹⁸ In untabulated tests, we find insignificant results for the three other changes in family firm characteristics presented in Panel B of Table 7: changes in block ownership status, the departure of a family CEO, and a reduction in the influence of family directors.

6.1 Other types of block ownership and activism valuation effects

Blockholders are diverse, and their influence on firm outcomes varies (e.g., Edmans, 2014). To assess whether nonfamily blockholders—such as the CEO, dedicated (Bushee, 1998), and long-term independent blockholders (Chen, Harford, and Li, 2007)—affect the valuation of activism, we reestimate the regression in column (2) of Table 4, replacing *Family firm* with indicators for these blockholders. None of the coefficients is significant, suggesting that the market’s positive view of activism is confined to firms with family owner-managers. This finding indicates that shareholder activism effectively addresses entrenchment issues arising from conflicts between family and nonfamily shareholders (Villalonga and Amit, 2006).

In untabulated tests, we also explore a potential curvilinear relationship between family ownership and the market’s valuation of campaigns targeting family firms. We reestimate the regression in column (2) of Table 4, replacing *Family firm* with *Family ownership*—the proportion of common shares held by founding family members, either individually or as a group—and its squared value *Family ownership*². Similarly, we replace *Activist blockholder* with *Dissident ownership* and its squared value *Dissident ownership*² and add *Management ownership*—the proportion of common shares held by top executives—and its squared value *Management ownership*² as control variables. The coefficient on *Family ownership* remains positive and significant, whereas the coefficient on *Family ownership*² is negative and significant. These findings suggest that moderate family ownership aligns family and shareholder interests. However, excessive ownership may lead to entrenchment, reducing the market’s favorable view of activist campaigns, particularly when the influence of the founding family is disproportionately strong relative to that of other shareholders.

6.2 Media coverage of activism campaigns and campaign announcement returns

We examine the role of media coverage in amplifying the disciplinary impact of activism and driving significant value gains in family firms. While family owner-managers with strong long-term control incentives are expected to resist activist pressures, the public visibility of activist campaigns can heighten scrutiny of managerial practices and governance. Dyck, Volchkova, and Zingales (2008) argue that media attention can shape a firm’s reputation, encouraging actions that

enhance its public image. Furthermore, Appel and Fos (2023) show that media significantly influences short-selling activism campaigns by improving public communication, affecting stock price reactions, establishing credibility for allegations, and facilitating meaningful consequences for target firms. These findings highlight the vital role of information dissemination in shaping market perceptions and outcomes in shareholder activism. Given the heightened reputational sensitivity of family owner-managers, who are often concerned with the image of both the founding family and the firm (Mueller and Philippon, 2011; Kang and Kim, 2020), the media's role in amplifying the disciplinary effects of activism is particularly relevant in this context.

We analyze 512 target firms using RavenPack, a leading global news database. For each activism campaign, we count the articles mentioning dissident shareholders in headlines during the period from 20 days before to 20 days after the activism announcement.¹⁹ To gauge sentiment during this period, we utilize RavenPack's event sentiment score for campaign-related news.²⁰

Internet Appendix A.7 presents the results. Column (1) shows that the coefficient on *Family firm* is positive and significant when $\text{Log}(\text{Number of articles} + 1)$ is used as the dependent variable, indicating that family targets receive 14.91% more media coverage than nonfamily targets. Column (2) uses $CAR(-20, 20)$ as the dependent variable and includes the interaction term between *Family firm* and *Positive media sentiment*, an indicator that equals one if positive sentiment news articles related to campaigns outnumber negative sentiment news articles, and zero otherwise. The positive and significant coefficient on the interaction term suggests that favorable media coverage is associated with higher announcement returns for family targets than those for nonfamily targets. The findings expand upon existing research (Dyck, Volchkova, and Zingales, 2008; Appel and Fos, 2023) by offering a nuanced understanding of media dynamics in shareholder activism, particularly highlighting the distinctions between family and nonfamily targets.

6.3 Industry spillover effects of activism against family firms

¹⁹ RavenPack distinguishes between press releases, news flashes, and full articles. We consider only press releases and full articles, which contain more context and information than news flashes, as the latter report only headlines. We focus on articles with a company relevance score of 100, indicating specific relevance to a target firm.

²⁰ The event sentiment score reflects market participants' views on the event, based on the vendor's textual analysis and consensus of major brokerage firms, investment banks, and credit rating agencies.

Our findings suggest that shareholder activism effectively resolves conflicts between family owners and nonfamily shareholders, leading to greater gains for family targets than nonfamily targets. Since activism can increase operational efficiency and value among nontarget industry rivals through post-campaign competitive pressure (Aslan and Kumar, 2016; Gantchev, Gredil, and Jotikasthira, 2019), we explore whether campaigns targeting family firms generate stronger industry spillover effects than those targeting nonfamily firms. For example, such campaigns may increase the likelihood of subsequent activism in other family firms facing similar issues within the same industry, prompting peer family firms to preemptively implement changes. This proactive response could lead to the market more favorably reassessing their value.

Table 11 presents the results. In columns (1) and (2), the dependent variable is the value-weighted portfolio *CAR* (-20, 20) for nontarget peer firms, defined as those sharing the same four-digit SIC codes as the target firm. In addition to the control variables used in column (2) of Table 4, we include the correlation between the past returns of the target firm and those of the peer firm portfolio (*Returns correlation between target and peer portfolio*) to account for stock performance similarities. In column (1), the key independent variable, *Family target's peers*, is an indicator that equals one for nontarget firms in the same industry as the family target, and zero for those in the same industry as the nonfamily target. The positive and significant coefficient suggests that activism in family firms generates stronger positive spillover effects than activism in nonfamily firms. In column (2), we further decompose *Family target's peers (indicator)* into indicators for two subgroups: *Family target's family peers (indicator)*, which equals one for nontarget family firms in the same industry as a family target firm, and *Family target's nonfamily peers (indicator)*, which equals one for nontarget nonfamily firms in the same industry as the family target firm. We find that the coefficient is significant only for the subsample of the family target's family peers, with a significant difference between the two coefficients, indicating a stronger spillover effect on peer family firms than on peer nonfamily firms. The results are similar when the equally weighted peer firm portfolio *CAR* (-20, 20) is used as the dependent variable, except that the coefficient on *Family target's peers* is positive but not statistically significant (p -value = 0.14). In columns (3) to (6), we use *CAR* (-20, 20) for individual industry peer firms as the dependent variable. The

results indicate that positive industry spillover effects from activism campaigns targeting family firms are concentrated on family peers, who subsequently become targets of other activism campaigns. These spillover effects are particularly pronounced for family peers with higher long-term dedicated non-dissident institutional block ownership, underscoring the value-enhancing role of independent institutions in influencing firms in response to activism threats.

Overall, the results suggest that activist intervention in family firms benefits shareholders of both the target firms and their family peers within the same industry. These findings advance Gantchev, Gredil, and Jotikasthira (2019) by demonstrating that the spillover effects of activism are more pronounced when targeting family firms, particularly for family peer firms with significant independent institutional block ownership.

7. Summary and Conclusion

This study investigates whether activists target firms with controlling family owners despite anticipated resistance, and if so, how they achieve benefits that exceed the costs. Our findings reveal that activists effectively pressure entrenched family owner-managers to reorganize or sell their firms, with their intervention serving as a credible threat due to heightened media and market scrutiny. Although activists are less likely to target family firms, and such campaigns often face greater hostility and lower success rates, they generate higher announcement returns for family targets than for nonfamily targets. Analysts also revise their post-campaign outlooks more favorably for family targets than for nonfamily targets. These results are robust when employing 2SLS regressions where a CEO's number of male children serves as an instrument for family firm status. An event portfolio analysis further shows that family targets experience greater incremental value gains following the campaign than nonfamily targets.

We also find that activism accelerates the transition of inefficient family firms to nonfamily ownership and diminishes the family's influence on the board. The market more positively values activism in entrenched family targets that are likely to benefit from such intervention, particularly when less-qualified family members hold executive roles or when significant operational restructuring is needed. Additionally, the market accounts for the stronger resistance of family targets to activist threats. The positive market response is particularly pronounced in hostile family

targets with higher agency problems, such as dual-class structures, firms transitioning to nonfamily ownership, those experiencing the departure of family board chairs, and those with greater operational inefficiencies.

Overall, while campaigns against family firms are more costly, time-consuming, and confrontational than those against nonfamily firms, they yield higher value gains, play a crucial role in disciplining prominent family owner-managers, and facilitate the transition from family to nonfamily ownership. Furthermore, these campaigns generate significant positive spillover effects for industry peers, particularly other family firms, thereby creating value not only for family targets but also for their peer family firms.

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Table 1
Distribution of shareholder activism campaigns by family firm status across years and industries

This table presents the distribution of shareholder activism campaigns by family firm status across years (Panel A) and industries (Panel B). The sample comprises 786 shareholder activism campaigns initiated by dissident groups against firms listed in ExecuComp from 2006 to 2017. Firms in the utility and financial industries (SIC codes 4900-4999 and 6000-6999) and those with missing stock returns and financial data from CRSP and Compustat are excluded. Family (nonfamily) target firms are defined as family (nonfamily) firms that become targets of shareholder activism campaigns. Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or where at least one founding family member sits on the board or holds a top management position.

Panel A. Distribution of shareholder activism campaigns by family firm status and year

Year	Activism campaign					
	Full sample		Family target		Nonfamily target	
	N	%	N	%	N	%
2006	58	7.38	22	8.80	36	6.72
2007	75	9.54	17	6.80	58	10.82
2008	77	9.80	29	11.60	48	8.96
2009	46	5.85	13	5.20	33	6.16
2010	52	6.62	14	5.60	38	7.09
2011	57	7.25	15	6.00	42	7.84
2012	65	8.27	23	9.20	42	7.84
2013	63	8.02	18	7.20	45	8.40
2014	86	10.94	30	12.00	56	10.45
2015	77	9.80	20	8.00	57	10.63
2016	68	8.65	22	8.80	46	8.58
2017	62	7.89	27	10.80	35	6.53
Total	786	100	250	100.00	536	100.00

Panel B. Distribution of shareholder activism campaigns by family firm status and ten Fama-French industries

Industry	Activism campaign					
	Full sample		Family target		Nonfamily target	
	N	%	N	%	N	%
Consumer nondurable	46	5.85	18	7.20	28	5.22
Consumer durable	32	4.07	13	5.20	19	3.54
Manufacturing	129	16.41	30	12.00	99	18.47
Oil, gas, and coal extraction and products	37	4.71	12	4.80	25	4.66
High-tech business equipment	205	26.08	60	24.00	145	27.05
Telephone and television transmission	29	3.69	16	6.40	13	2.43
Wholesale, retail, and some services	134	17.05	48	19.20	86	16.04
Healthcare and medical equipment, and drugs	70	8.91	22	8.80	48	8.96
Others	104	13.23	31	12.40	73	13.62
Total	786	100.00	250	100.00	536	100.00

Table 2
Distribution of shareholder activism campaigns by activists' stated goals and types

This table presents the distribution of shareholder activism campaigns by activists' stated campaign goals (Panel A) and activist types (Panel B). The sample comprises 786 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. Firms operating in the utility and financial industries (SIC codes 4900-4999 and 6000-6999) and those with missing stock returns and financial data from CRSP and Compustat are excluded. Family (nonfamily) target firms are defined as family (nonfamily) firms that become targets of shareholder activism campaigns. Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or where at least one founding family member sits on the board or holds a top management position. The numbers in parentheses represent *p*-values from the Kolmogorov–Smirnov test for equality of distribution functions between the two subsamples.

Panel A. Distribution of shareholder activism campaigns by activists' stated goals

Activists' stated goal	Activism campaign					
	Full sample		Family target		Nonfamily target	
	N	%	N	%	N	%
Financial restructuring	156	13.27	45	12.40	111	13.65
Excess cash, underleverage, and dividends/repurchases	95		25		70	
Equity issuance, restructure debt, and recapitalization	52		15		37	
Capital structure in general without elaboration	27		9		18	
Operation restructuring	216	18.37	67	5.70	149	12.67
Operational efficiency	116		39		77	
Lack of focus, business restructuring, and spin-off	79		28		51	
Other strategy	48		13		35	
Objection to M&As (to require better terms)	45	3.83	15	4.13	30	3.69
As targets	17		7		10	
As acquirers	28		8		20	
Liquidation/sale of company or assets	183	15.56	46	12.67	137	16.85
Governance and change in director/management	423	35.97	141	38.84	282	34.69
Rescind takeover defense	49		17		32	
Oust CEO/chairman	42		11		31	
Board independence or fair representation	308		95		213	
Disclosure policy/potential fraud/allegation	43		23		20	
Compensation-related issues	67		24		43	
Others	21		8		13	
Others	153	13.01	49	13.50	104	12.79
Total	1,176	100	363	100	813	
Kolmogorov–Smirnov test of equality of distribution functions: (<i>p</i> -value)						(0.59)

Panel B. Distribution of shareholder activism campaigns by activist type

Activist type	Activism campaign					
	Full sample		Family target		Nonfamily target	
	N	%	N	%	N	%
Financial institution	682	83.37	208	80.00	474	84.95
Hedge fund	492		143		349	
Private equity fund or venture capital	18		6		12	
Investment advisor	182		58		124	
Public pension	6		2		4	
Corporation	52	6.36	16	6.15	36	6.45
Labor union	27	3.30	14	5.38	13	2.33
Individual	50	6.11	20	7.69	30	5.38
Others	7	0.86	2	0.77	5	0.90
Total	818	100	260	100	558	100
Kolmogorov–Smirnov test of equality of distribution functions: (<i>p</i> -value)						(0.71)

Table 3
Summary statistics

This table presents the summary statistics (means) for a sample of 786 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. Firms operating in the utility and financial industries (SIC codes 4900-4999 and 6000-6999) and those with missing stock returns or financial data from CRSP and Compustat are excluded from the sample. Family (nonfamily) target firms are defined as family (nonfamily) firms that become targets of shareholder activism campaigns. Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or where at least one founding family member sits on the board or holds a top management position. The appendix provides detailed descriptions of all other variables. The numbers in the test-of-difference column represent *p*-values for *t*-tests comparing the equality of means between family and nonfamily firm targets. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Variable	Family target: a N=250	Nonfamily target: b N=536	Test of difference (a – b): <i>p</i> -value
<i>Firm characteristics</i>			
Assets (\$billion)	3.910	4.630	0.54
ROA	0.123	0.116	0.40
Market to book	2.585	2.148	0.13
Sales growth	0.042	0.010	0.05*
Stock returns	-0.088	-0.057	0.29
Leverage	0.222	0.242	0.18
Payout ratio	0.045	0.040	0.34
R&D/assets	0.032	0.039	0.16
Capex/assets	0.062	0.049	0.01***
Institutional ownership	0.757	0.780	0.24
Institutional ownership HHI	0.069	0.078	0.22
Proportion of nonfamily independent directors	0.732	0.832	0.00***
Dual-class firm (indicator)	0.192	0.028	0.00***
<i>Family firm characteristics</i>			
Prominent family member (indicator)	0.468	-	-
Prominent descendant (indicator)	0.428	-	-
Less-qualified prominent descendant (indicator)	0.312	-	-
<i>Activism campaign characteristics</i>			
Duration of activism (months)	19.140	17.757	0.48
Proxy fight (indicator)	0.172	0.136	0.19
Successful campaign (indicator)	0.100	0.144	0.11
Partially successful campaign (indicator)	0.445	0.534	0.03**

Table 4
Impact of shareholder activism on firm value: Target firms' activism announcement returns

Columns (1) and (2) present estimates from ordinary least squares (OLS) regressions in which the dependent variable is cumulative abnormal returns (CARs) for target firms from 20 days before to 20 days after the activism campaign announcement date (*CAR* (-20,20)). Columns (3) and (4) present estimates from two-stage least squares (2SLS) regressions, with the natural logarithm of a CEO's number of male children plus one (*Log (number of male children + 1)*) used as the instrumental variable for family firm status. The dependent variable is *Family firm (indicator)* in column (3) and *CAR* (-20,20) in column (4). The sample comprises 786 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. Abnormal returns are calculated using Carhart's (1997) four-factor model, based on a 250 trading-day estimation period beginning 270 days before and ending 21 days before the announcement date. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	OLS regression		2SLS regression	
	CAR (-20, 20)		1 st stage	2 nd stage
	(1)	(2)	Family firm (indicator)	CAR (-20, 20)
Family firm (indicator)	0.029*** (0.004)	0.031*** (0.005)		
Log (number of male children + 1)			0.130*** (0.000)	
Instrumented: Family firm (indicator)				0.298*** (0.009)
Firm size	-0.001 (0.874)	0.001 (0.932)	-0.029 (0.207)	0.010 (0.185)
ROA	0.113 (0.264)	0.112 (0.276)	-0.121 (0.692)	0.230 (0.113)
Market to book	0.000 (0.853)	0.000 (0.821)	0.005 (0.430)	0.002 (0.663)
Sales growth	0.043* (0.092)	0.045* (0.082)	0.213** (0.050)	0.018 (0.666)
Stock returns	-0.130*** (0.000)	-0.129*** (0.000)	-0.110 (0.158)	-0.151*** (0.000)
Leverage	-0.004 (0.876)	-0.009 (0.761)	-0.279 (0.107)	0.017 (0.727)
Payout ratio	0.296 (0.157)	0.292 (0.158)	0.299 (0.344)	0.123 (0.499)
R&D/assets	-0.017 (0.884)	-0.034 (0.749)	-0.633** (0.047)	0.275 (0.184)
Capex/assets	-0.237 (0.230)	-0.245 (0.212)	1.535*** (0.004)	-0.706*** (0.001)
Institutional ownership	0.044 (0.421)	0.039 (0.482)	-0.278** (0.022)	0.038 (0.681)
Institutional ownership HHI	0.112 (0.458)	0.112 (0.445)	-0.866*** (0.009)	0.230 (0.167)
Proportion of nonfamily independent directors	0.028 (0.715)	0.023 (0.751)	-1.733*** (0.000)	0.465* (0.071)
Dual-class firm (indicator)	-0.039 (0.285)	-0.035 (0.292)	0.266*** (0.006)	-0.095* (0.055)
Activist blockholder (indicator)		0.015 (0.362)	-0.049 (0.161)	0.057*** (0.000)
Hedge fund activism (indicator)		0.018 (0.367)	0.000 (0.993)	0.054** (0.042)

Industry/Year fixed effects	Yes	Yes	Yes	Yes
Observations	786	786	383	383
Adjusted R^2	0.058	0.058	0.296	-
Montiel-Pflueger effective F -statistic			23.31	

Table 5
Impact of shareholder activism on firm value: Event-time portfolio analysis of target firms' long-term abnormal returns

This table presents estimates from an event-time portfolio analysis of firms targeted by shareholder activism campaigns that are initiated by dissident groups. The sample comprises 786 shareholder activism campaigns against firms included in ExecuComp from 2006 to 2017. We construct equally weighted portfolios of family (nonfamily) target firms, retaining each firm in the portfolio from the month of the activism campaign announcement through the subsequent 12, 24, and 36 months, with monthly rebalancing. A firm is excluded from the portfolio if its 13D/A filing date or activism end date, as reported in SharkRepellent, occurs before the end of the holding period. Family firms that transition to nonfamily status during the holding period are removed from the portfolio. Each portfolio's excess return is calculated using the intercept from Carhart's (1997) four-factor regression. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	12 months		24 months		36 months	
	Coefficient	<i>T</i> -statistics	Coefficient	<i>T</i> -statistics	Coefficient	<i>T</i> -statistics
<i>Subsample of family firm portfolio:</i>						
α	0.015***	3.705	0.010***	3.201	0.007**	2.205
β_{mkt}	1.059***	10.110	1.045***	12.530	1.040***	12.951
β_{SmB}	0.726***	4.047	0.836***	5.734	0.779***	5.284
β_{HmL}	0.339**	2.004	0.078	0.580	0.231*	1.817
β_{Umd}	-0.633***	-6.496	-0.482***	-6.086	-0.392***	-4.822
Observations	153		165		177	
Adjusted R^2	0.685		0.730		0.717	
<i>Subsample of nonfamily firm portfolio:</i>						
α	0.002	0.666	0.001	0.291	0.001	0.347
β_{mkt}	1.160***	15.555	1.178***	15.864	1.072***	14.630
β_{SmB}	0.646***	5.140	0.773***	6.053	0.684***	5.147
β_{HmL}	0.093	0.770	0.026	0.218	0.221*	1.914
β_{Umd}	-0.335***	-4.843	-0.437***	-6.224	-0.359***	-4.902
Observations	155		167		176	
Adjusted R^2	0.768		0.785		0.752	
<i>Zero-cost portfolio of buying family firms and selling nonfamily firms:</i>						
α	0.009*	1.969	0.007*	1.739	0.008**	2.080
β_{mkt}	0.051	0.401	-0.066	-0.595	-0.043	-0.445
β_{SmB}	0.859***	3.937	0.713***	3.671	0.635***	3.578
β_{HmL}	0.445**	2.163	0.295	1.643	0.123	0.809
β_{Umd}	-0.593***	-5.012	-0.337***	-3.190	-0.363***	-3.757
Observations	153		165		175	
Adjusted R^2	0.335		0.185		0.185	

Table 6
Impact of shareholder activism on firm value: Changes in analysts' expectations
around the activism announcement month

Column (1) presents estimates from ordinary least squares (OLS) regressions in which the dependent variable is $\Delta \text{Analysts' expectations}_{\text{Year } t - \text{Year } t-1}$, measured as the change in the ratio of analysts who upgrade their forecasts for the target firm to the total number of analysts following the firm, from the 12-month pre-campaign period to the 12-month post-activism period. Columns (2) and (3) present estimates from two-stage least squares (2SLS) regressions, using the natural logarithm of a CEO's number of male children plus one ($\text{Log}(\text{number of male children} + 1)$) as the instrumental variable for family firm status. The dependent variables are *Family firm (indicator)* in column (2) and $\Delta \text{Analysts' expectations}_{\text{Year } t - \text{Year } t-1}$ in column (3), where *Year_t* is the year in which the activism campaign is announced. The sample comprises 510 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp and IBES from 2006 to 2017. We require that the number of analysts following a firm exceeds three in pre- and post-campaign periods. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	OLS regression	2SLS regression	
	$\Delta \text{Analysts' expectations}_{\text{Year } t - \text{Year } t-1}$	1 st stage	2 nd stage
		Family firm _{Year t-1} (indicator)	$\Delta \text{Analysts' expectations}_{\text{Year } t - \text{Year } t-1}$
	(1)	(2)	(3)
Family firm _{Year t-1} (indicator)	0.102** (0.025)		
Log (number of male children + 1)		0.053** (0.018)	
Instrumented: Family firm _{Year t-1} (indicator)			0.459** (0.032)
$\Delta \text{Firm size}_{\text{Year } t-1 - \text{Year } t-2}$	0.186* (0.057)	0.224* (0.084)	0.149 (0.130)
$\Delta \text{ROA}_{\text{Year } t-1 - \text{Year } t-2}$	0.071 (0.687)	-0.944*** (0.001)	0.188 (0.647)
$\Delta \text{Market to book}_{\text{Year } t-1 - \text{Year } t-2}$	0.003* (0.085)	0.003 (0.280)	0.006** (0.045)
$\Delta \text{Sales growth}_{\text{Year } t-1 - \text{Year } t-2}$	-0.106 (0.133)	0.348*** (0.002)	-0.396** (0.040)
$\Delta \text{Stock returns}_{\text{Year } t-1 - \text{Year } t-2}$	-0.014 (0.747)	-0.019 (0.669)	0.003 (0.940)
$\Delta \text{Leverage}_{\text{Year } t-1 - \text{Year } t-2}$	-0.056 (0.745)	-0.131 (0.760)	-0.013 (0.951)
$\Delta \text{Payout ratio}_{\text{Year } t-1 - \text{Year } t-2}$	0.170 (0.552)	-0.503 (0.350)	0.624** (0.014)
$\Delta \text{R\&D/assets}_{\text{Year } t-1 - \text{Year } t-2}$	-1.854 (0.236)	3.765*** (0.001)	-2.436** (0.031)
$\Delta \text{Capex/assets}_{\text{Year } t-1 - \text{Year } t-2}$	0.083 (0.919)	-1.630*** (0.004)	0.264 (0.751)
$\Delta \text{Institutional ownership}_{\text{Year } t-1 - \text{Year } t-2}$	-0.017 (0.923)	-0.155 (0.513)	0.197 (0.396)
$\Delta \text{Institutional ownership HHI}_{\text{Year } t-1 - \text{Year } t-2}$	0.423* (0.062)	-0.472 (0.216)	0.438 (0.284)
$\Delta \text{Proportion of nonfamily independent directors}_{\text{Year } t-1 - \text{Year } t-2}$	-0.456 (0.210)	0.268 (0.473)	-0.815** (0.045)
Dual-class firm (indicator) _{Year t-1}	-0.041 (0.508)	0.503*** (0.000)	-0.291*** (0.000)
Activist blockholder (indicator) _{Year t-1}	0.035	-0.083*	0.092**

	(0.415)	(0.095)	(0.029)
Hedge fund activism (indicator) <i>Year t-1</i>	0.009	-0.048	-0.058*
	(0.846)	(0.578)	(0.066)
Industry/ Year fixed effects	Yes	Yes	Yes
Observations	510	275	275
Adjusted R^2	0.009	0.294	-
Montiel-Pflueger effective F -statistic			5.37

Table 7
Post-campaign adjustments in family targets: A propensity score matching analysis

Panel A presents the descriptive statistics for a sample of family firms targeted by shareholder activism campaigns from 2006 to 2017 (treatment firms) and a propensity score-matched sample of family firms not targeted during the same period (control firms). We use one-to-one nearest neighbor matching without replacement, based on a logit model that includes the variables listed in Panel A, Fama-French 48 industry, and year fixed effects. Panel B compares post-campaign adjustments between treatment and control firms around the activism campaign announcement year ($Year_t$). *Firm status change* indicates whether the firm's status changes from a family firm in $Year_{t-1}$ to a nonfamily firm in $Year_{t+n}$. *Block ownership status change* indicates whether founding family members, individually or as a group, own at least 5% of a firm's equity in $Year_{t-1}$ and less than 5% in $Year_{t+n}$. *Departure of family CEO* indicates whether a family CEO (founder or descendant) in $Year_{t-1}$ is involuntarily replaced by a nonfamily CEO in $Year_{t+n}$. *Departure of family chair* indicates whether a family chair (founder or descendant) on the board in $Year_{t-1}$ is replaced by a nonfamily chair in $Year_{t+n}$. *Reduced influence of family director* indicates whether the number of family member directors on the board, excluding CEO directors and board chairs, decreases from $Year_{t-1}$ to $Year_{t+n}$. Panel C presents the cumulative abnormal returns (CARs) for firms from five days before to one day after the family CEO (or non-CEO family director) departure announcement date ($CAR(-5, +1)$). Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position. The appendix provides detailed descriptions of all other variables. In Panel A, the test-of-difference column reports p -values for t -tests of mean equality between treatment and control firms. In Panels B and C, a, b, and c, as well as ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Descriptive statistics for the propensity score-matched sample

Variable	Treatment firm (N=250): a	Control firm (N=250): b	Test of difference (a – b): p -value
	(1)	(2)	(1)-(2)
Firm size	6.671	6.679	0.96
ROA	0.124	0.118	0.52
Market to book	2.626	2.300	0.33
Sales growth	0.045	0.034	0.54
Stock returns	-0.088	-0.089	0.97
Leverage	0.221	0.209	0.50
Payout ratio	0.040	0.038	0.59
R&D/assets	0.032	0.031	0.82
Capex/assets	0.061	0.058	0.53
Institutional ownership	0.756	0.784	0.16
Institutional ownership HHI	0.065	0.059	0.22
Proportion of nonfamily independent directors	0.730	0.735	0.62
Dual-class firm (indicator)	0.192	0.200	0.82

Panel B. Comparison of post-campaign changes between treatment and control firms

	Firm status change		Block ownership status change		Departure of family CEO		Departure of family chair		Reduced influence of family director	
	Treatment firm	Control firm	Treatment firm	Control firm	Treatment firm	Control firm	Treatment firm	Control firm	Treatment firm	Control firm
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
$Year_t$	0.048***	0.008 ^a	0.040***	0.012*	0.020**	0.008 ^b	0.052***	0.036***	0.091***	0.039*** ^b
$Year_{t+1}$	0.117***	0.058*** ^b	0.077***	0.046***	0.027**	0.008	0.108***	0.058*** ^c	0.117***	0.081***
$Year_{t+2}$	0.178***	0.117*** ^c	0.101***	0.083*** ^b	0.038***	0.004	0.139***	0.091***	0.156***	0.137***

Panel C. CAR (-5, 1) around the family CEO (non-CEO family director) departure announcement date

	Full sample		Subsample			
	Departure of family CEO or non-CEO family director		Departure of family CEO		Departure of non-CEO family director	
	Treatment firm (N=81)	Control firm (N=40)	Treatment firm (N=31)	Control firm (N=12)	Treatment firm (N=50)	Control firm (N=28)
	(1)	(2)	(3)	(4)	(5)	(6)
CAR (-5, +1)	1.26%	-1.51% ^c	0.75%	-1.32%	1.57%	-1.60% ^c

Table 8

Cross-sectional heterogeneity in the valuation effects of shareholder activism on family firms

This table presents estimates from ordinary least squares (OLS) regressions in which the dependent variable is the cumulative abnormal return (CAR) for family target firms, calculated from 20 days before to 20 days after the activism campaign announcement date (*CAR* (-20,20)). The sample comprises 250 shareholder activism campaigns initiated by dissident groups against family firms included in ExecuComp from 2006 to 2017. Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position. Abnormal returns are calculated using Carhart's (1997) four-factor model, based on a 250 trading-day estimation period beginning 270 days before and ending 21 days before the announcement date. *Post-campaign adjustment (indicator)* equals one if a family firm undergoes any of the following within three years of the campaign's initiation: a status change to a nonfamily firm, a reduction in family block ownership to nonblock status, the involuntary replacement of a founder or descendant CEO by a nonfamily CEO, the replacement of a founder or descendant chair by a nonfamily chair, or a reduction in the number of family directors on the board (excluding CEO directors and board chairs), and zero otherwise. *High E-index (indicator)* equals one if a family firm's E-index is at or above the sample median, and zero otherwise. *Prominent family member (indicator)* equals one if at least one family member holds an executive directorship, and zero otherwise. *Prominent descendant (indicator)* equals one if at least one descendant holds an executive directorship, and zero otherwise. *Less-qualified prominent descendant (indicator)* equals one if a descendant holding an executive directorship is neither an Ivy League graduate nor an MBA holder, and zero otherwise. *More-qualified prominent descendant (indicator)* equals one if a descendant holding an executive directorship is either an Ivy League graduate or MBA holder, and zero otherwise. *No prominent descendant (indicator)* equals one if no descendants hold an executive directorship, and zero otherwise. *Activists' stated goal (indicator)* equals one if the activists' stated goal in the campaign matches the specified one, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	CAR (-20, 20)					
	(1)	(2)	(3)	(4)	(5)	(6)
Post-campaign adjustment (indicator): a	-0.024 (0.240)	-0.073** (0.022)				
High E-index (indicator): b	0.008 (0.837)	-0.026 (0.573)				
a x b		0.076* (0.078)				
Prominent family member (indicator)			0.048** (0.044)			
Prominent descendant (indicator)				0.049** (0.048)		
Less-qualified prominent descendant (indicator)					0.052*** (0.008)	
More-qualified prominent descendant (indicator)					0.040 (0.515)	
No prominent descendant (indicator)				0.040 (0.264)	0.040 (0.246)	
Activists' stated goal: financial restructuring (indicator)						-0.026* (0.056)
Activists' stated goal: operation restructuring (indicator)						0.027 (0.331)
Activists' stated goal: objection to M&A (indicator)						0.101 (0.159)
Activists' stated goal: liquidation/sales of company or assets (indicator)						0.133** (0.011)
Activists' stated goal: improving governance or changing director/management (indicator)						-0.003 (0.920)
Control variable (as in column (2) of Table 4)	Yes	Yes	Yes	Yes	Yes	Yes
Industry/Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	206	206	250	250	250	250
Adjusted <i>R</i> ²	0.172	0.174	0.158	0.154	0.150	0.193

Table 9
Likelihood of proxy fights and activism success, and Cox proportional hazard regressions of campaign duration

Column (1) presents estimates from logit regressions in which the dependent variable is *Proxy fight (indicator)*, which equals one if the activism campaign reaches the stage in which dissident groups attempt to persuade shareholders to use their proxy votes, and zero otherwise. Column (2) presents estimates from Cox proportional hazard regressions in which the dependent variable is *Duration of activism*, defined as the number of months from the activism announcement date to the last available Schedule 13D/A filing date or the activism end date reported in SharkRepellent. Columns (3) and (4) present estimates from multinomial logit regressions. In column (3), the dependent variable equals one if dissident groups achieve their primary campaign goals or reach an agreement with the target (*Successful campaign (indicator)*); in column (4), the dependent variable equals one if they partially achieve their campaign goals (*Partially successful campaign (indicator)*), with the base group being those who exit the target without achieving their stated goals. The sample comprises 780 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. The coefficients reported are marginal effects in columns (1) to (3), while column (4) reports hazard ratios. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. b indicates significance at the 5% level for the test of coefficient equality between columns (3) and (4). ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Logit	Cox	Multinomial logit	
	Proxy fight (indicator)	Duration of activism (months)	Successful campaign	Partially successful campaign
	(1)	(2)	(3)	(4)
Family firm (indicator)	4.519** (0.046)	0.856*** (0.000)	-4.601*** (0.003)	0.691 ^b (0.565)
Control variable (as in column (2) of Table 4)	Yes	Yes		Yes
Industry/Year fixed effects	Yes	Yes		Yes
Observations	780	693		716
Pseudo R^2 /Log likelihood	0.142	-3775.29		0.136

Table 10
Tone of target firms' responses to dissident groups and cumulative abnormal returns
around the activism announcement date

This table presents estimates from ordinary least squares (OLS) regressions in which the dependent variable is the cumulative abnormal returns (CARs) for target firms from 20 days before to 20 days after the activism campaign announcement date (*CAR* (-20,20)). The sample comprises 786 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. Abnormal returns are calculated using Carhart's (1997) four-factor model, based on a 250 trading-day estimation period beginning 270 days before and ending 21 days before the announcement date. *Activist's hostile response (indicator)* equals one if the mean ratio of the difference between negative and positive words in the first 13D filing to the total number of words in the filing is above the sample median, and zero otherwise (or if there are no 13D filings). *Target's hostile response (indicator)* equals one if the mean ratio of the difference between negative and positive words in a target firm's DEFA14A filings from three months before the activism campaign announcement month to 12 months after is above the sample median, and zero otherwise (or if there are no DEFA14A filings.) Negative and positive financial words are classified according to Loughran and McDonald's (2011) criteria. DEFA14A filings mentioning the dissident group's name at least once are obtained from SEC Analytics. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. *Dual-class firm (indicator)* equals one if a firm has different share classes with differential voting rights, and zero otherwise. *Activists' stated goal - operation restructuring (indicator)* equals one if a dissident shareholder's stated goal in the activism campaign is operational restructuring, and zero otherwise. *Family firm with status change (indicator)* equals one if a family firm's status changes from a family to nonfamily firm within three years after the activism campaign's initiation, and zero otherwise. *Family firm with no status change (indicator)* equals one if a family firm's status does not change within three years after the activism campaign's initiation, and zero otherwise. *Family firm with departure of family chair (indicator)* equals one if a family chair (founder or descendant) on the board is replaced by a nonfamily chair within three years after the activism campaign's initiation, and zero otherwise. *Family firm with no departure of family chair (indicator)* equals one if a family chair remains on the board within three years after the activism campaign's initiation, and zero otherwise. *Log (number of filings+1)* is the natural logarithm of one plus the total number of DEFA14A filings by the target firm three months before to 12 months after the announcement month. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	CAR (-20, 20)			
	(1)	(2)	(3)	(4)
Activist's hostile response (indicator)	0.005 (0.751)	0.003 (0.842)	0.007 (0.682)	0.004 (0.830)
Target's hostile response (indicator): a	0.034 (0.229)	0.058* (0.093)	0.025 (0.411)	0.028 (0.339)
Family firm (indicator): b	0.035*** (0.009)	0.028 (0.110)		
Dual-class firm (indicator): c	0.085 (0.162)	-0.014 (0.700)	-0.028 (0.438)	-0.028 (0.446)
Activists' stated goal - operation restructuring (indicator): d		0.018 (0.137)		
Family firm with status change (indicator): e			-0.057 (0.157)	
Family firm with no status change (indicator): f			0.047*** (0.002)	
Family firm with departure of family chair (indicator): g				-0.066* (0.056)
Family firm with no departure of family chair (indicator): h				0.043*** (0.005)
a x b	-0.055 (0.209)	-0.071 (0.117)		
a x c	-0.274*** (0.010)			

b x c	-0.129** (0.036)			
a x b x c	0.276* (0.059)			
a x d		-0.114* (0.070)		
b x d		-0.002 (0.949)		
a x b x d		0.102* (0.071)		
a x e			0.200*** (0.001)	
a x f			-0.078 (0.110)	
a x g				0.089* (0.078)
a x h				-0.063 (0.272)
Log (number of filings+1)	0.024 (0.101)	0.023 (0.102)	0.023 (0.110)	0.022 (0.110)
Other control variable (as in column (2) of Table 4)	Yes	Yes	Yes	Yes
Industry/Year fixed effects	Yes	Yes	Yes	Yes
Observations	786	786	786	786
Adjusted R^2	0.072	0.069	0.079	0.076

Table 11
Spillover effects of shareholder activism on industry peers: Cumulative abnormal returns for nontarget firms around the activism announcement date

Columns (1) and (2) present estimates from ordinary least squares (OLS) regressions in which the dependent variable is the cumulative abnormal return (CAR) for value-weighted portfolios of nontarget industry peers of target firms from 20 days before to 20 days after the activism campaign announcement date (*CAR (-20, 20)*). Columns (3) to (6) present estimates from OLS regressions in which the dependent variable is *CAR (-20, 20)* for individual nontarget industry peers. Nontarget industry peers are firms with the same four-digit SIC code as the target firm. The sample in columns (1) and (2) comprises 708 portfolios of nontarget industry peers, while columns (3) to (6) analyze 2,553 individual nontarget industry peers of 550 firms included in ExecuComp that are targeted by shareholder activism campaigns from 2006 to 2017. Abnormal returns are calculated using Carhart's (1997) four-factor model, based on a 250 trading-day estimation period beginning 270 days before and ending 21 days before the announcement date. *Family target's peer (indicator)* equals one for nontarget firms operating in the same industry as the family target firm, and zero for those in the same industry as the nonfamily target firm. *Family target's family peer (indicator)* equals one for nontarget family firms operating in the same industry as the family target firm, and zero otherwise. *Family target's nonfamily peer (indicator)* equals one for nontarget nonfamily firms operating in the same industry as the family target firm, and zero otherwise. *Activism in the subsequent year (indicator)* equals one if a peer firm becomes a target of an activism campaign within one year after its competitor's campaign, and zero otherwise. *High long-term independent institutional block ownership (indicator)* equals one if the proportion of common shares outstanding held by long-term independent institutional investors (e.g., investment companies, independent investment advisors, public pension funds, private pension funds, and university and foundation endowments that are either dedicated or quasi-indexer investors) that own more than 5% of a firm's equity at or above the sample median, and zero otherwise (Bushee, 1998; Chen, Harford, and Li, 2007). *Return correlation between target firm and peer portfolio (peer firm)* is the correlation between the past returns of the target firm and those of the peer firm portfolio (peer firm), both computed using one year of daily returns for the 21 days preceding the activism announcement date. Family firms are firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses in columns (1) and (2) (columns (3) to (6)) are based on standard errors clustered at the industry (activism event) level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Value-weighted portfolio CAR (-20, 20)		Individual industry peer CAR (-20, 20)			
	(1)	(2)	(3)	(4)	(5)	(6)
Family target's peer (indicator): a	0.025*		0.014		-0.003	
	(0.065)		(0.185)		(0.808)	
Family target's family peer (indicator): b		0.033**		0.018		-0.006
		(0.011)		(0.133)		(0.686)
Family target's nonfamily peer (indicator): c		0.016		0.011		0.000
		(0.286)		(0.394)		(0.987)
Activism in the subsequent year (indicator): d			0.002	0.002		
			(0.904)	(0.897)		
High long-term independent institutional block ownership (indicator): e					-0.022**	-0.022**
					(0.016)	(0.016)
a x d			0.012			
			(0.733)			
b x d				0.072***		
				(0.004)		
c x d				-0.039		
				(0.409)		
a x e					0.034**	
					(0.043)	
b x e						0.055***
						(0.010)
c x e						0.018
						(0.401)
	-0.019	-0.019	-0.011	-0.011	-0.008	-0.008

Return correlation between target firm and peer portfolio/ peer firm	(0.628)	(0.628)	(0.703)	(0.695)	(0.768)	(0.761)
<i>Individual peer firm characteristics:</i>						
Firm size			0.002 (0.350)	0.002 (0.431)	0.002 (0.460)	0.002 (0.480)
ROA			-0.037 (0.376)	-0.037 (0.378)	-0.037 (0.377)	-0.036 (0.401)
Market to book			0.001 (0.163)	0.001 (0.169)	0.001 (0.218)	0.001 (0.220)
Sales growth			0.014 (0.574)	0.014 (0.576)	0.014 (0.582)	0.014 (0.577)
Stock returns			-0.042*** (0.002)	-0.042*** (0.003)	-0.041*** (0.003)	-0.041*** (0.003)
Leverage			0.032 (0.110)	0.033* (0.099)	0.030 (0.122)	0.030 (0.122)
Payout ratio			0.074 (0.374)	0.081 (0.330)	0.084 (0.319)	0.085 (0.311)
R&D/assets			0.037 (0.498)	0.034 (0.526)	0.033 (0.548)	0.033 (0.541)
Capex/assets			0.146 (0.118)	0.140 (0.138)	0.152 (0.102)	0.141 (0.134)
Institutional ownership			0.007 (0.739)	0.008 (0.704)	0.026 (0.268)	0.026 (0.271)
Institutional ownership HHI			-0.053 (0.376)	-0.052 (0.381)	-0.037 (0.541)	-0.038 (0.532)
Proportion of nonfamily independent directors			-0.050 (0.117)	-0.046 (0.153)	-0.046 (0.148)	-0.040 (0.209)
Dual-class firm (indicator)			-0.004 (0.789)	-0.005 (0.740)	-0.003 (0.841)	-0.006 (0.697)
Control variable (as in column (2) of Table 4)	Yes	Yes	Yes	Yes	Yes	Yes
<i>F-test for equality of two coefficients (p-value):</i>						
b = c		0.05*				
b x d = c x d				0.02**		
b x e = c x e						0.16
Industry/Year fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Observations	708	708	2,553	2,553	2,553	2,553
Adjusted R^2	0.029	0.030	0.044	0.044	0.047	0.048

Appendix

The table provides a detailed description of all variables used in the study.

Variable	Definition	Source
Activist blockholder (indicator)	One if a dissident shareholder owns at least 5% of the target firm's equity, and zero otherwise	SharkRepellent
Capex/assets	Capital expenditures scaled by total assets	Compustat
Dual-class firm (indicator)	One for firms with different share classes that carry differential voting rights, and zero otherwise	Proxy statements
Duration of activism (months)	Number of months elapsed from the activism announcement date to the last available Schedule 13D/A filing date or activism end date reported in SharkRepellent	SharkRepellent, 13D/A
Firm size	Natural logarithm of total assets (CPI adjusted at the 1983 price level)	Compustat
Hedge fund activism (indicator)	One if the dissident group includes at least one hedge fund activist, and zero otherwise	SharkRepellent, various other sources
Institutional ownership	Proportion of common shares outstanding held by institutional investors	Thomson 13F
Institutional ownership HHI	Hirschman-Herfindahl Index (normalized to be between 0 and 1) of institutions' holdings of the firm's stock	Thomson 13F
Leverage	Sum of long-term debt and short-term debt, scaled by total assets	Compustat
Market to book	Ratio of the market value of equity to the book value of equity	Compustat
Partially successful campaign (indicator)	One if dissident groups partially achieve their campaign goals, and zero otherwise	SharkRepellent
Payout ratio	Sum of common stock dividends and purchase of common and preferred stock, scaled by the market value of equity	Compustat
Prominent descendant (indicator)	One if at least one descendant holds an executive directorship, and zero otherwise	Various sources
Less-qualified prominent descendant (indicator)	One if a descendant holding an executive directorship is neither an Ivy League graduate (Brown University, Columbia University, Cornell University, Dartmouth College, Harvard University, Princeton University, University of Pennsylvania, or Yale University, (Custódio, Ferreira, and Matos, 2013)) nor an MBA degree, and zero otherwise	Various sources
Prominent family member (indicator)	One if at least one family member holds an executive directorship, and zero otherwise	Various sources
Proportion of nonfamily independent directors	Ratio of the number of nonfamily independent directors to the total number of directors on the board	Various sources
Proxy fight (indicator)	One if the activism campaign reaches the stage in which dissident groups attempt to persuade shareholders to use their proxy votes, and zero otherwise	SharkRepellent
R&D/assets	Max (0, R&D expenditures), scaled by total assets	Compustat
ROA	Operating income before depreciation, scaled by lagged assets	Compustat
Sales growth	Natural logarithm of sales/sales _{t-1}	Compustat
Stock returns	Difference between a firm's cumulative daily stock returns during the fiscal year and the corresponding market returns	CRSP
Successful campaign (indicator)	One if dissident groups achieve their primary campaign goals or reach an agreement with the target firm, and zero otherwise	SharkRepellent

Internet Appendix
**Dancing with Family Owners: Is Shareholder Activism Effective
in Family Firms?**

September 2024

This appendix presents the following tables for additional analyses that are discussed but not reported in the paper:

- Table A.1. Likelihood of becoming an activism target
- Table A.2. Post-campaign changes in industry-adjusted ROA
- Table A.3. Likelihood of becoming an M&A target following activism campaigns
- Table A.4. Post-campaign adjustments in nonfamily targets: A propensity score matching analysis
- Table A.5. Comparison of cumulative abnormal returns around CEO and director departure announcement dates between family and nonfamily firms
- Table A.6. Likelihood of appointing activist-nominated directors and cumulative abnormal returns around the director appointment date
- Table A.7. Media sentiment around the activism announcement date

Table A.1
Likelihood of becoming an activism target

Columns (1) and (3) present estimates from logit regressions, while columns (2) and (4) present estimates from linear probability model (LPM) regressions that predict the likelihood of becoming a target of activism campaigns. The dependent variable is *Activism target (indicator)*, which equals one if a firm becomes the target of an activism campaign initiated by dissident shareholders in a given year, and zero otherwise. The sample comprises 786 activism targets and 2,358 matched firms in columns (1) and (2), and 1,362 matched firms in columns (3) and (4). We match each firm that becomes a target of activism campaigns from 2006 to 2017 with three firms that were never targeted during the sample period. In columns (1) and (2), three matched firms are randomly identified from those covered in ExecuComp one year before the activism announcement year ($Year_{t-1}$). In columns (3) and (4), each target firm is matched with three nontarget firms that share the same four-digit SIC code and have the closest total assets, measured in $Year_{t-1}$. *Family firm (indicator)* equals one for firms in which founding family members individually or as a group have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed variable descriptions. *P*-values reported in parentheses are based on standard errors clustered at the activism campaign level. Coefficients reported in brackets are marginal effects. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Random matching		Industry and size matching	
	Logit	LPM	Logit	LPM
	Activism target (indicator)			
	(1)	(2)	(3)	(4)
Family firm (indicator)	-0.300*** (0.005) [-0.051]	-0.055** (0.028)	-0.545*** (0.000) [-0.096]	-0.112*** (0.000)
Firm size	0.016 (0.649)	-0.007 (0.429)	0.096** (0.015)	0.040** (0.033)
ROA	-3.940*** (0.000)	-0.653*** (0.000)	-2.710*** (0.000)	-0.645*** (0.000)
Market to book	-0.039*** (0.001)	-0.006** (0.029)	-0.059*** (0.001)	-0.011*** (0.006)
Sales growth	-0.547* (0.053)	-0.130* (0.078)	-0.547 (0.102)	-0.166* (0.076)
Stock returns	-0.843*** (0.000)	-0.170*** (0.000)	-0.668*** (0.003)	-0.148*** (0.006)
Leverage	-0.009 (0.974)	0.066 (0.328)	-0.648* (0.067)	-0.092 (0.341)
Payout ratio	-1.192 (0.222)	0.176 (0.530)	2.003 (0.118)	0.478 (0.216)
R&D/assets	0.816 (0.432)	0.065 (0.777)	1.063 (0.317)	0.363 (0.245)
Capex/assets	3.367*** (0.001)	0.576*** (0.007)	1.324 (0.289)	0.394 (0.320)
Institutional ownership	-0.181 (0.477)	-0.049 (0.440)	-1.131*** (0.000)	-0.279*** (0.002)
Institutional ownership HHI	-0.295 (0.688)	-0.008 (0.964)	-1.627 (0.135)	-0.191 (0.516)
Proportion of nonfamily independent directors	2.382*** (0.000)	0.474*** (0.000)	0.961 (0.133)	0.153 (0.311)
Dual-class firm (indicator)	0.181 (0.320)	0.040 (0.331)	0.027 (0.917)	0.031 (0.627)
Industry (Fama-French 48)/Year fixed effects	Yes	No	Yes	No
Activism event fixed effects	No	Yes	No	Yes
Observations	3,120	3,144	1,816	1,816
Pseudo R^2 / Adjusted R^2	0.115	-0.222	0.068	-0.209

Table A.2
Post-campaign changes in industry-adjusted ROA

This table presents estimates from ordinary least squares (OLS) regressions in which the dependent variables are the changes in industry-adjusted ROA for target firms from $Year_{t-1}$ to $Year_{t+n}$, where $Year_t$ is the activism campaign announcement year. The sample comprises 602 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. Industry-adjusted ROA is calculated by subtracting the median ROA of firms in the same Fama-French 48 industry from the focal firm's ROA in the same year. Firms are excluded if the last available Schedule 13D/A filing date or activism end date reported in SharkRepellent occurs before $Year_{t+n}$. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed variable descriptions. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Changes in industry-adjusted ROA		
	Average of ROA _{Year t} and ROA _{Year t+1} – ROA _{Year t-1}		Average of ROA _{Year t} , ROA _{Year t+1} , and ROA _{Year t+2}
	ROA _{Year t} – ROA _{Year t-1}	t-1	– ROA _{Year t-1}
	(1)	(2)	(3)
Family firm _{Year t-1} (indicator)	0.016** (0.014)	0.022** (0.015)	0.013* (0.067)
Δ Firm size _{Year t-1 – Year t-2}	-0.116*** (0.009)	-0.097*** (0.007)	-0.107** (0.020)
Δ Market to book _{Year t-1 – Year t-2}	0.001 (0.158)	0.003** (0.022)	0.000 (0.656)
Δ Sales growth _{Year t-1 – Year t-2}	0.010 (0.520)	0.002 (0.946)	0.040 (0.100)
Δ Leverage _{Year t-1 – Year t-2}	0.024 (0.720)	0.116 (0.125)	0.097 (0.135)
Δ Payout ratio _{Year t-1 – Year t-2}	-0.075 (0.206)	-0.133 (0.189)	-0.012 (0.847)
Δ R&D/assets _{Year t-1 – Year t-2}	-0.495 (0.118)	-0.007 (0.984)	0.096 (0.670)
Δ Capex/assets _{Year t-1 – Year t-2}	-0.011 (0.888)	0.104 (0.625)	0.536* (0.066)
Δ Institutional ownership _{Year t-1 – Year t-2}	0.026 (0.383)	-0.020 (0.647)	0.030 (0.559)
Δ Institutional ownership HHI _{Year t-1 – Year t-2}	0.077* (0.100)	-0.030 (0.645)	0.009 (0.888)
Δ Proportion of nonfamily independent directors _{Year t-1 – Year t-2}	-0.013 (0.872)	-0.068 (0.451)	0.065 (0.432)
Δ Stock returns _{Year t-1 – Year t-2}	0.016 (0.107)	0.010 (0.453)	0.008 (0.394)
Dual-class firm (indicator) _{Year t-1}	-0.010 (0.118)	-0.018** (0.031)	-0.002 (0.851)
Activist blockholder (indicator) _{Year t-1}	-0.004 (0.628)	0.003 (0.818)	0.024** (0.038)
Hedge fund activism (indicator) _{Year t-1}	-0.005 (0.380)	-0.015** (0.016)	-0.001 (0.928)
Industry (Fama-French 17)/ Year fixed effects	Yes	Yes	Yes
Observations	602	366	202
Adjusted R ²	0.125	0.127	0.188

Table A.3
Likelihood of becoming an M&A target following activism campaigns

This table presents estimates of logit regressions in which the dependent variable is *Activism merger target (indicator)*, which equals one if the activism target firm is successfully taken over by a third party within two years of the campaign announcement, and zero otherwise. The sample comprises 786 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp from 2006 to 2017. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. *Active management family firm (indicator)* equals one for family firms in which at least one founding family member is present on the firm's board or top management team, and zero otherwise. *Passive management family firm (indicator)* equals one for family firms in which none of the founding family members serve on the firm's board or top management team, and zero otherwise. *Active founder firm (indicator)* equals one for family firms in which a founder is present on the firm's board or top management team, and zero otherwise. *Passive founder firm (indicator)* equals one for family firms in which no founder is present on either the firm's board or top management team, and zero otherwise. *Active descendant firm (indicator)* equals one for family firms in which a descendant is present on the firm's board or top management team, and zero otherwise. *Other family firm (indicator)* equals one for family firms in which no founding family member is present on either the firm's board or top management team, and zero otherwise. *Merger wave (indicator)* equals one if the number of mergers in an industry (two-digit SIC code) during a consecutive two-year period is greater than the 95th percentile of the number of mergers in that industry over the sample period, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Activism merger target (indicator)			
	(1)	(2)	(3)	(4)
Family firm (indicator)	0.364* (0.081)			
Active management family firm (indicator)		0.401* (0.057)		
Passive management family firm (indicator)		-0.203 (0.623)		
Active founder firm (indicator)			0.451** (0.029)	0.400** (0.041)
Passive founder firm (indicator)			0.247 (0.491)	
Active descendant firm (indicator)				-0.145 (0.634)
Other family firm (indicator)				-0.278 (0.503)
Merger wave (indicator)	-0.319** (0.017)	-0.317** (0.015)	-0.328** (0.025)	-0.346** (0.021)
Control variable (as in column (2) of Table 4)	Yes	Yes	Yes	Yes
Industry/ Year fixed effects	Yes	Yes	Yes	Yes
Observations	778	778	778	778
Pseudo R^2	0.075	0.076	0.076	0.076

Table A.4
Post-campaign adjustments in nonfamily targets: A propensity score matching analysis

Panel A presents the descriptive statistics for a sample of nonfamily firms targeted by shareholder activism campaigns from 2006 to 2017 (treatment firms) and a propensity score-matched sample of nonfamily firms not targeted during the same period (control firms). We employ one-to-one nearest neighbor matching without replacement, based on a logit model that includes the variables listed in Panel A, Fama-French 48 industry, and year fixed effects. Panel B compares post-campaign adjustments between treatment and control firms around the activism announcement year ($Year_t$). *Departure of CEO* indicates whether a CEO in $Year_{t-1}$ is replaced involuntarily in $Year_{t+n}$. *Departure of chair* indicates whether a chair in $Year_{t-1}$ is replaced in $Year_{t+n}$. *Reduced influence of executive directors (indicator)* indicates whether the number of executive directors, excluding a CEO, is reduced from $Year_{t-1}$ to $Year_{t+n}$. The appendix provides detailed descriptions of all other variables. In Panel A, the test-of-difference column reports p -values for t -tests of mean equality between treatment and control firms. In Panel B, ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Panel A. Descriptive statistics for the propensity score-matched sample

Variable	Treatment firm (N=536): a	Control firm (N=536): b	Test of difference (a – b): p -value
	(1)	(2)	
Firm size	6.584	6.492	0.37
ROA	0.117	0.118	0.84
Market to book	2.163	2.269	0.68
Sales growth	0.012	0.017	0.67
Stock returns	-0.058	-0.051	0.74
Leverage	0.239	0.242	0.82
Payout ratio	0.038	0.040	0.47
R&D/assets	0.038	0.041	0.59
Capex/assets	0.049	0.047	0.59
Institutional ownership	0.780	0.781	0.99
Institutional ownership HHI	0.075	0.076	0.83
Proportion of nonfamily independent directors	0.832	0.830	0.70
Dual-class firm (indicator)	0.026	0.028	0.85

Panel B. Comparison of post-campaign changes in CEO and director departures between treatment and control firms

	Departure of CEO		Departure of chair		Reduced influence of executive director (indicator)	
	Treatment firm	Control firm	Treatment firm	Control firm	Treatment firm	Control firm
	(1)	(2)	(3)	(4)	(5)	(6)
$Year_t$	0.086***	0.041***a	0.185***	0.085***a	0.061***	0.063***
$Year_{t+1}$	0.160***	0.065***a	0.347***	0.172***a	0.109***	0.114***
$Year_{t+2}$	0.191***	0.079***a	0.479***	0.277***a	0.134***	0.126***

Table A.5
Comparison of cumulative abnormal returns around CEO and director departure announcement dates
between family and nonfamily firms

Panels A to C present the comparison of the cumulative abnormal returns from five days before to one day after the departure announcement date ($CAR(-5, 1)$) between family firms and nonfamily firms. Day 0 is the date the 8-K filing is accepted by the U.S. Securities and Exchange Commission (SEC), obtained from the Audit Analytics Director and Officer Changes database (Lerman and Livnat, 2010; Kang et al., 2022). Columns (1) and (2) include a sample of family firms targeted by shareholder activism campaigns from 2006 to 2017 (family treatment firms) and a propensity score-matched sample of family firms not targeted during the same period (family control firms) used in Table 7. Family firms are defined as those in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or is in top management. Columns (3) and (4) include a sample of nonfamily firms targeted by shareholder activism campaigns from 2006 to 2017 (nonfamily treatment firms) and a propensity score-matched sample of nonfamily firms not targeted during the same period (nonfamily control firms) used in Table A.4. *Departure of family CEO* indicates whether a family CEO (founder or descendant) in $Year_{t-1}$ is replaced involuntarily by a nonfamily CEO in $Year_{t+n}$. *Departure of non-CEO family director* indicates whether a non-CEO family director on the board in $Year_{t-1}$ is replaced by a non-CEO nonfamily director in $Year_{t+n}$. *Departure of CEO* indicates whether a CEO in $Year_{t-1}$ is replaced involuntarily in $Year_{t+n}$. *Departure of non-CEO executive director* indicates whether a director who is not CEO in $Year_{t-1}$ is replaced in $Year_{t+n}$. The appendix provides detailed descriptions of all other variables. The test-of-difference column reports p -values for t -tests of mean equality between two different firms. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively. The numbers in square brackets represent the number of observations in each column.

Panel A. Full sample of the departures of CEOs and directors

	Family firms		Nonfamily firms		Test of difference: <i>P</i> -value			
	Departure of family CEO or non-CEO family director		Departure of CEO or non-CEO director					
	Treatment firm	Control firm	Treatment firm	Control firm				
	(1)	(2)	(3)	(4)	(1)=(2)	(3)=(4)	(1)=(3)	(2)=(4)
CAR (-5, +1)	1.26% [81]	-1.51% [40]	-0.85% [260]	-0.91% [153]	0.07*	0.94	0.06*	0.55

Panel B. Subsample of the departures of CEOs

	Family firms		Nonfamily firms		Test of difference: <i>P</i> -value			
	Departure of family CEO		Departure of CEO					
	Treatment firm	Control firm	Treatment firm	Control firm				
	(1)	(2)	(3)	(4)	(1)=(2)	(3)=(4)	(1)=(3)	(2)=(4)
CAR (-5, +1)	0.75% [31]	-1.32% [12]	-0.92% [104]	-0.53% [45]	0.51	0.83	0.45	0.79

Panel C. Subsample of the departure of non-CEO directors

	Family firms		Nonfamily firms		Test of difference: <i>P</i> -value			
	Departure of non-CEO family director		Departure of non-CEO executive director					
	Treatment firm	Control firm	Treatment firm	Control firm				
	(1)	(2)	(3)	(4)	(1)=(2)	(3)=(4)	(1)=(3)	(2)=(4)
	CAR (-5, +1)	1.57% [50]	-1.60% [28]	-0.80% [156]	-1.07% [108]	0.07*	0.80	0.06*

Table A.6
Likelihood of appointing activist-nominated directors and cumulative abnormal returns
around the director appointment date

Column (1) of the table presents estimates of logit regressions in which the dependent variable is *Activist-nominated director appointment (indicator)*, which equals one for newly appointed directors (i.e., directors who are appointed within three years of the activism announcement date) nominated by a dissident shareholder via an activism campaign, and zero for newly appointed directors who are nominated by the incumbent board. Column (2) presents estimates of ordinary least squares (OLS) regressions in which the dependent variable is the cumulative abnormal return from five days before to one day after the activist-nominated director appointment announcement date (*CAR (-5,1)*), where day 0 is the date the 8-K filing is accepted by the U.S. Securities and Exchange Commission (SEC). Data are obtained from the Audit Analytics Director and Officer Changes database (Lerman and Livnat, 2010; Kang et al., 2022). In column (1), the sample comprises 1,659 directors appointed at activism target firms that appoint at least one director within three years of the activism announcement date. In column (2), the sample comprises 148 newly appointed directors nominated by dissident groups that initiate 94 shareholder activism campaigns. We restrict the sample to target firms with at least one newly appointed director (i.e., a director appointed within three years of the activism announcement date regardless of her status as an independent director). We identify directors nominated by dissident groups that initiate activism campaigns by searching 13D filings or synopses of events in SharkRepellent. We also exclude filings if there are other major confounding corporate events (e.g., announcements of M&As, quarterly earnings, dividend payments, and management guidance) during the five days before and one day after the filing date. We calculate abnormal returns using Carhart's (1997) four-factor model with a 220 trading-day estimation period beginning 280 days before and ending 61 days before the announcement date. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed variable descriptions. *P*-values reported in parentheses are based on standard errors clustered at the industry level. Coefficients reported in brackets are marginal effects. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Logit	OLS
	Activist-nominated director appointment (indicator)	CAR (-5, 1)
	(1)	(2)
Family firm (indicator)	0.342* (0.093) [2.585]	0.037** (0.021)
Female director (indicator)	-1.698*** (0.000)	0.026 (0.247)
Log (director age)	-2.651*** (0.000)	0.040 (0.157)
Directors' general ability index	0.089 (0.116)	-0.005* (0.084)
Busy director (indicator)	-1.407*** (0.003)	0.030* (0.086)
Director with finance experience (indicator)	-0.115 (0.469)	-0.006 (0.717)
Ivy League graduate director (indicator)	0.513*** (0.000)	0.007 (0.246)
Director with MBA degree (indicator)	0.240 (0.116)	-0.030*** (0.002)
Control variable (as in column (2) of Table 4)	Yes	Yes
Industry (Fama-French 17) fixed effects	Yes	Yes
Year fixed effects	Yes	Yes
Observations	1,659	148
Pseudo R^2 / Adjusted R^2	0.191	0.183

Table A.7
Media sentiment around the activism announcement date

This table presents estimates of ordinary least squares (OLS) regressions in which the dependent variable in column (1) is the natural logarithm of the number of target firm-specific news articles published from 20 days before to 20 days after the activism campaign announcement date, plus one and the dependent variable in column (2) is cumulative abnormal returns for target firms from 20 days before to 20 days after the activism campaign announcement date (*CAR* (-20,20)). The sample comprises 512 shareholder activism campaigns initiated by dissident groups against firms included in ExecuComp and RavenPack from 2006 to 2017. When counting the number of articles, we include only press releases or full articles that include the names of the dissident shareholders initiating the campaigns. We calculate abnormal returns using Carhart's (1997) four-factor model, based on a 250 trading-day estimation period beginning 270 days before and ending 21 days before the announcement date. *Positive media sentiment (indicator)* equals one if news articles with positive sentiment scores outnumber those with negative sentiment scores, and zero otherwise. An article's sentiment is measured using the RavenPack's event sentiment score to indicate whether the article is good or bad news for the event. *Family firm (indicator)* equals one for firms in which founding family members, individually or as a group, have equity ownership exceeding 5% or at least one founding family member sits on the board or holds a top management position, and zero otherwise. The appendix provides detailed descriptions of all other variables. *P*-values reported in parentheses are based on standard errors clustered at the industry level. ***, **, and * indicate significance at the 1%, 5%, and 10% levels, respectively.

Independent variable	Log (number of articles +1) (1)	CAR (-20, 20) (2)
Family firm (indicator): a	0.139* (0.097)	0.023 (0.216)
Positive media sentiment (indicator): b		0.054** (0.010)
a x b		0.040* (0.098)
Control variable (as in column (2) of Table 4)	Yes	Yes
Industry/Year fixed effects	Yes	Yes
Observations	512	512
Adjusted R^2	0.140	0.094