From Internal Cohesion Problems To External Attacks: Board Demographic Diversity As An Opportunity For Hedge Fund Activism

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Please contact school.socialsciences@unitn.it for the link to the Zoom event

Speaker:
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Discussants:
- Blerita Korca – PhD student – Economics and Management
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Abstract
Board demographic diversity is widely seen as beneficial for firms’ external relations and detrimental for boards’ internal cohesion. Yet, internal cohesion problems may also make boards less willing and able to swiftly and unitedly respond to confrontational stakeholders, making firms with diverse boards attractive opportunities for activism. With this in mind, we argue that activist hedge funds are more likely to target firms with demographically diverse boards, and that activists are more likely to use these opportunities to influence firms when firms exhibit governance, performance, and reputation problems that activists can potentially resolve. Our analyses of US-based activist hedge fund campaigns between 2010 and 2018 provides support for our hypotheses. We discuss theoretical implications for research on board diversity, stakeholder theory, and corporate opportunity structures.

Joint work with Mark Des Jardine and Wei Shi