Blog post 1

Headline: Just because your stock price is rising doesn't mean you're safe.
Subheading: The activists are ramping up—are you?

Summary: Think your company's safe from activist campaigns because you're outperforming the market? Think again. In this golden age of investor activism, even outperformers are at risk as activists weigh considerations from cash to company policies. What happens if you're caught unprepared? <Read the post.>

You've seen the recent headlines; you know that shareholder activism is on the rise. A record-setting 344 companies were targets of activist campaigns in 2014, up from 291 in 2013. Over the last 10 years, activist investors have pursued more than 2,000 such campaigns to redirect business strategies and priorities and, in many cases, to boost stock prices.

What's that? You say activists have no reason to launch a campaign against your company because your stock price is up? On the contrary, activist investors use many criteria to assess whether your company is vulnerable, for instance:

- High cash balances
- Underperforming assets
- Conservative capital structure
- Conservative dividend policy

Consider the ongoing fight at Dupont. From a pure share price perspective, value was increasing. Stock had gained nearly 20 percent over the previous year. Yet Nelson Peltz's Trian advanced anyway, citing bloat, high expenses, and missed or lowered earnings guidance for three consecutive years.

Consider also Clorox. In 2011, billionaire shareholder Carl Icahn submitted an unsolicited offer to buy all remaining shares at 12 percent above market price. Icahn, acknowledging the obvious mismatch between himself and Clorox, and pointing to low interest rates and Clorox's surplus cash, felt his bid would encourage Clorox to seek even higher bids from better-matched companies.

My question to you: Is your company vulnerable? More important: What are you doing to prepare? For you as a director, and for your company, the cost of inaction is high. Imagine being dragged through a contentious proxy fight, your hard-earned reputation at stake as the battle plays out through the media. Imagine the distraction within the company, too, as customers and employees worry about how the fight and its aftermath will affect their futures. Worse, imagine that an activist wins, and their strategy turns out to be wrong, such as in the infamous Time Warner / AOL merger. In such a case, you lose. Your customers and employees lose. Shareholders lose.

That doesn't have to happen to you. This post is but the first in a three-part series on investor activism. In the next post, I'll share insights to help you get inside the mind of the activist and prepare for potential incursions.

IMAGE SUGGESTION: http://www.istockphoto.com/photo/are-you-ready-41354686?st=f497a74

Blog post 2

Headline: How activist investors scrutinize your company.
Subheading: Know your enemy.

Summary: Are activists your friends—or are they foes? It's a matter of perspective. In the eyes of shareholders, the real issue is that if directors would think and behave more like activists, then there would be no need for activism. But what does thinking and acting like an activist mean? <Read the post.>

While attending several impressive corporate governance events over the last year, I heard many directors say that activist nominees who join their boards tend to have better information and analyses than anyone else on the board. Imagine sitting in a meeting with your peers, people you've been working with for years, and in walks a newcomer armed with insights neither you nor your fellow directors had considered.

What kind of insights? Although for obvious reasons the directors I speak with tend not to share specifics, I gather that a significant portion of the superior insight comes from diving deep into publicly available data – scouring the footnotes, creating year-over-year comparisons, and asking questions designed to identify opportunities for unlocking value.

What kind of questions? Peter Tague, vice chairman and co-head of Citigroup's global M&A department, outlined a set of signposts that activists use to determine whether a campaign is warranted. Those signposts, spun another way and elaborated upon, become a set of questions you and your fellow directors can use to step into the shoes of—and think like—an activist.

- How do critical metrics like return on invested capital or total shareholder return compare to the industry?
- Is there a strong strategic case for keeping multiple lines of business together? What's the overhead associated with supporting tangential businesses?
- Are you over or under leveraged in your balance sheet?
- Do you have a record of missing your guidance?
- Does your board or management team have a long tenure?
- Does executive compensation fairly correlate to shareholder returns?
- Should we issue a special dividend or share buy back?
- Are there assets we should sell that are not related to the core business?
- Would a stockholder consider our CEO to be doing a good job? Is the dialogue positive about their performance? Can it be perceived externally that management failing?
- Are there directors whose experience is no longer applicable or relevant to our business model?

The list of questions is by no means complete, but the very act of asking the questions, and the answers you uncover, will arm you with at least some of the crucial insight to which activists who might be considering your company are privy.

In the next post of this three-part series on activist investors, get an idea for how you can fulfill your duty and "think like an investor" in just 10-15 minutes a day.

IMAGE SUGGESTIONS:

http://www.istockphoto.com/photo/question-mark-38236708?st=9316cce

http://www.istockphoto.com/photo/discussion-of-papers-45855524?st=9316cce

Blog post 3

Heading: How to think like an activist in 15 minutes a day.
Subheading: Help for overworked directors who take their responsibilities seriously.

Summary: How are you, as a director, supposed to think like an activist when your time on the board is limited, and when you lack the resources of activist investors? Although your job isn't easy, it's not impossible, either. <Read the post.>

You already know you're supposed to think like an activist, considering decisions from an outside-in perspective rather than from the inside, out. If you read my previous post on the subject, you even know how to inform yourself and the rest of your board by thoughtfully considering the same questions activists use to determine whether to take a position in your company.

I thus pose this question: If most directors know that they should be thinking like activists to avoid advances, then why is the number of activist campaigns increasing year over year?

Here's why.

On one side, most non-activist directors have neither the time nor the resources to regularly review and analyze all of the publicly available information about the company, its competitors and industry. How much time each week can you regularly dedicate to your board duties, especially when you exclude compliance-related activities? On the other side, activist directors are overseeing a staff of analysts whose main goal in life is to crunch the publicly available information and provide insights to guide the activists' contributions.

The teeter-totter is unbalanced; the activists carry the weight.

Which makes me wonder: How can shareholders expect you, an independent director, to do more than the bare minimum when you spend only 40 or so days a year in your seat? It's similar to the predicament of a CEO who must sign off on the financials trusting in the good faith of his people. Just as the CEO can't know (or be expected to know) everything that goes on in a multinational, multi-industry company, neither can you.

Yes, it's a big job. But it has to be done. Rest assured that many people are working hard to develop ways to make the work easier for you.

Until then, because you can't be expected to spend hours or days at a time gathering and analyzing information, I recommend that you carve out 10 or 15 minutes each day for such activity. It's your obligation, your duty. Split the work among the entire board, with each member focusing on a certain category of information, for instance economic, industry, competitive and customer information.

Even if your company is not currently the target of activist investors, do as the activists do. Conduct regular vulnerability analyses, and think about the information from an outside-in perspective all the time, daily, because your risk profile changes daily. Make it a point for each member of the board to scour the data looking for significant opportunities to unlock value in a consistent manner. When you do, you and your board will gain access to powerful, strategic insights that will result in better decisions.

Better decisions, better boards, better business.

Image suggestions:

http://www.istockphoto.com/vector/clock-face-stopwatch-34265292?st=3388918

http://www.istockphoto.com/vector/business-scales-33633856?st=91c4909 [Note, I'd edit this one, placing the word "Activist" under the left side, and "The board" on the right.]

http://www.istockphoto.com/vector/little-people-v-big-18884684?st=91c4909 [Similar comment here.]