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Activist Investors and Hostile Takeovers: Redefining Power in M&A and Corporate Restructuring

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Abstract

This paper investigates how activist investors and hostile takeovers influence the outcomes of mergers and acquisitions (M&A). Traditionally viewed as disruptive forces, activists and hostile bidders are now increasingly recognized as governance agents that challenge entrenched management, reallocate capital, and unlock shareholder value. Using a hand-curated dataset of 135 transactions (100 global and 35 Indian) announced between 2005 and 2023, the study applies event study methodology, long-horizon buy-and-hold abnormal returns (BHAR), and changes in operating efficiency (ΔROCE) to assess performance. The evidence shows that activist-led and hostile acquisitions deliver significantly higher announcement-period returns (CARs of 9–13%) and stronger long-term gains (BHARs approaching 40%) relative to non-activist deals. Indian transactions broadly mirror these global patterns, though with lower magnitudes, reflecting SEBI's evolving regulatory framework and the rising assertiveness of institutional investors. By reframing activism and hostile takeovers as mechanisms of market discipline and corporate renewal, the paper argues that—when appropriately regulated—these interventions function as constructive disruptors that enhance governance standards and foster sustainable value creation.

Keywords
Shareholder Activism, Hostile Takeover, M&A Strategy, Corporate Restructuring, Proxy Battle, Board Governance, ESG Investing

1. Introduction

The contemporary architecture of corporate governance is witnessing a dramatic recalibration of power. Traditionally dominated by Boardrooms and C-suite executives, the decision-making hierarchy is now being contested and, in some cases, redefined by activist investors and assertive shareholders. No longer content with passive oversight or quarterly returns, a growing class of investors is demanding strategic alignment, governance accountability, and long-term value creation. This shift marks a departure from classical agency models toward more confrontational and participatory forms of corporate engagement.

Shareholder activism, once perceived as a marginal or even subversive phenomenon, has entered the mainstream. Activists particularly hedge funds and institutional investors are no longer confined to proxy battles and public dissent. Instead, they are increasingly driving structural transformations: pushing for board reshuffles, strategic divestitures, capital redistribution, and even full-scale acquisitions. At the intersection of this trend lies the resurgence of hostile takeovers a historically contentious but increasingly normalized mechanism to challenge underperforming or resistant managements (Brav et al., 2008) [1].

This paper explores the strategic and empirical relationship between **shareholder activism** and **hostile takeovers** within the broader domain of **mergers and acquisitions (M&A)** and **corporate restructuring**. It interrogates whether activist-led engagements genuinely lead to value-enhancing outcomes for stakeholders, or if they reflect opportunistic arbitrage by financially motivated actors. Moreover, it assesses hostile takeovers, when triggered or facilitated by activist shareholders, serve as corrective governance tools or destabilizing threats to firm continuity (Greenwood & Schor, 2009) [2].

In the Indian context, this transformation is visibly unfolding. India's capital markets, traditionally governed by promoter dominance and relational ownership patterns, are now seeing an influx of assertive institutional investors and proxy advisory firms shaping corporate outcomes. The **hostile takeover of Mindtree by Larsen & Toubro (L&T)** in 2019 marked a watershed moment, it was one of the first high-profile instances of a hostile acquisition succeeding in a promoter-led company in India[3]. Despite initial resistance, L&T used a strategic accumulation of shares and open offer mechanisms, backed by board-level changes, to acquire a controlling stake in Mindtree. This case epitomized how market instruments, backed by shareholder assertiveness, could override entrenched promoter control.

Similarly, the **Fortis Healthcare–IHH Healthcare Berhad transaction** involved a complex battle between competing bidders, activist shareholder intervention, and governance controversies. Shareholders pushed for transparent processes and optimal valuation, while institutional investors played a decisive role in favoring the IHH bid amidst allegations of financial misgovernance under the previous promoters[4]. Here, activism became a corrective force, restoring market credibility.

Another instructive example is the **Vedanta–Cairn India merger**, which witnessed significant opposition from minority shareholders, especially Life Insurance Corporation (LIC) and institutional funds. Concerns around valuation asymmetries, promoter benefit, and capital structure realignment led to aggressive voting behavior and conditional approvals[5]. Though not formally a hostile takeover, it displayed features of shareholder activism manifesting through institutional pushback and regulatory scrutiny.

These Indian cases reflect a broader pattern: **activist interventions and contested acquisitions are no longer foreign phenomena** in India's corporate landscape. They mirror global trends while adapting to regional legal frameworks, governance cultures, and shareholder maturity levels (Khanna & Mathew, 2021) [6].

Recent empirical studies suggest that activist involvement correlates with enhanced acquisition premiums and superior post-M&A performance for both target and acquiring firms (Brav et al., 2015; Gehlot, 2015) [7]. However, the debate remains far from settled. While some scholars argue that activist investors unlock latent value through strategic realignment, others contend that such interventions compromise innovation, weaken long-term planning, and prioritize short-term gains at the expense of sustainable growth (Bebchuk et al., 2013) [8].

This study seeks to answer the following central questions:

- Do activist interventions in M&A scenarios lead to superior shareholder returns, both at announcement and in the long run?
- How does activist experience, ownership stake, and deal structure affect the outcomes of hostile or contested takeovers?
- In the Indian context, how do regulatory safeguards and market practices influence the efficacy and legitimacy of activist-led restructuring?

By combining empirical analysis with comparative insights, this paper contributes to a deeper understanding of how activist investors and hostile takeovers are reshaping the frontiers of corporate control. In doing so, it reframes activism not as a threat to managerial autonomy, but as a **potentially strategic instrument of market discipline and corporate renewal** with India emerging as an increasingly relevant testing ground.

2. Literature Review

The literature on shareholder activism and hostile takeovers has grown substantially in recent decades, reflecting the transformation in corporate control mechanisms across global markets. This section reviews the foundational theories, typologies of activism, the performance impact of activist interventions, and the intersection between activism and M&A outcomes. Special emphasis is placed on the evolving Indian corporate governance context, where global activist strategies are being reinterpreted under localized regulatory and ownership conditions.

2.1 Theoretical Foundations: Agency, Governance, and Control

The relationship between shareholders and corporate managers has long been conceptualized through **agency theory**, which describes how the separation of ownership and control leads to misaligned incentives (Jensen & Meckling, 1976)[9]. Shareholder activism emerges as a corrective force within this framework, seeking to discipline management, reduce agency costs, and realign corporate priorities with shareholder interests (Eisenhardt, 1989) [10]. In contexts where boards become entrenched or management underperforms, activism acts as a governance lever to restore accountability and strategic focus.

While early critiques viewed activism as disruptive or opportunistic (Karpoff, 2001)[11], more recent empirical studies demonstrate that it can enhance firm value and governance quality (Brav et al., 2008)[12]. This evolution has repositioned activism as not merely a protest mechanism but as a strategic input into corporate decision-making.

2.2 Typologies and Strategies of Shareholder Activism

Activist investors operate along a spectrum of engagement strategies, ranging from **constructive dialogue** to **hostile campaigns** depending on their objectives and ownership structure. Hedge funds, in particular, are known for their aggressive style, often seeking board representation, asset divestitures, or even triggering a firm's sale (Klein & Zur, 2009) [13]. Public pension funds, sovereign investors, and mutual funds typically adopt a more collaborative tone, though their impact may be diluted by diversification and regulatory constraints.

Recent research distinguishes between **offensive** activism, where investors initiate campaigns ex ante with pre-planned demands and **defensive** activism, where interventions are responses to ongoing governance failures (Armour & Cheffins, 2012)[14]. Studies further highlight the importance of activist attributes such as **industry specialization**, **ownership concentration**, and **prior experience** in predicting success (Boyson & Mooradian, 2011) [15].

2.3 Activism and Firm Performance: Short-Term Gains vs. Long-Term Value

A central debate in activism literature revolves around whether activist interventions yield lasting value or merely exploit short-term price volatility. Event studies show positive abnormal returns for target firms around the announcement of activist campaigns, with premiums ranging from 7% to 20% in most markets (Brav et al., 2015; Gantchev, 2013) [16]. Critics argue that such gains may be front-loaded and often come at the cost of long-term innovation, employee stability, or strategic investments (Gantehev et al., 2013) [17].

However, longitudinal studies counter this view. For instance, Bebchuk, Brav, and Jiang (2015) examined five-year post-activism performance and found improvements in return on assets (ROCE) and operational efficiency at targeted firms compared to matched peers[18]. Similar findings in plant-level data suggest that activist interventions especially those involving divestitures and reallocation lead to productivity enhancements and improved capital discipline[19].

2.4 Hostile Takeovers: Historical Evolution and Strategic Relevance

Hostile takeovers have traditionally been seen as market-based tools to discipline inefficient firms (Manne, 1965) [20]. During the 1980s and early 1990s, hostile bids were rampant in the U.S. and U.K., often facilitated by leveraged buyouts and greenmail tactics. Their popularity declined post-Sarbanes-Oxley, but they have witnessed a revival in recent years as shareholder support and activist backing increased (Sudarshan & Mahate, 2004) [21].

Evidence suggests that hostile acquisitions can outperform friendly ones in certain cases, especially when they displace entrenched leadership and trigger value-unlocking transactions. However, they also tend to carry higher legal, reputational, and cultural costs, particularly in promoter-driven economies like India (Khanna & Mathew, 2021) [22].

2.5 Activist-Led M&A: The Nexus Between Engagement and Exit

The intersection of activism and M&A is increasingly prominent. Activist campaigns often culminate in a change-of-control event either a sale, merger, or spin-off. Greenwood and Schor (2009) found that the best returns from activism occur when it results in a firm being acquired at a premium[23]. This pattern suggests that activists not only push for operational changes but also serve as catalysts for ownership realignment.

Gehlot’s (2015) dissertation on activism and M&A confirmed this hypothesis in a robust empirical study using 30 years of U.S. data. He observed that activist-driven acquisitions yielded approximately 30% higher premiums for target shareholders and significantly improved post-acquisition performance for acquirers[24]. Notably, firms targeted by activists exhibited sustained gains in return on assets, earnings, and market value up to five years post-transaction.

2.6 The Indian Context: Activism, Regulation, and Resistance

India's regulatory landscape is witnessing a transformation, with **SEBI's LODR** (Listing Obligation Disclosure Requirement)**, SAST** (Substantial Acquisition of Shares and Takeover), and proxy advisory frameworks expanding the scope for shareholder engagement. High-profile cases like **L&T–Mindtree**, **Fortis–IHH**, and **Vedanta–Cairn** have highlighted how institutional investors and minority shareholders are beginning to assert influence over governance outcomes and M&A strategy (Gopalan, 2019; Mishra & Singh, 2019) [25].

However, activism in India remains constrained by concentrated promoter ownership, weak minority protection mechanisms, and limited access to boardrooms. Still, the trend is clear: **institutional investors are beginning to play more active role**, and hostile bids once considered rare or unethical are becoming strategic options in deal-making.

3. Research Methodology

This study adopts a **mixed-methods approach**, combining quantitative event-based analysis with qualitative case study evaluation to examine the impact of shareholder activism and hostile takeovers in the context of mergers and acquisitions (M&A). The methodology is designed to capture both the financial performance implications and strategic governance shifts initiated by activist investors, with comparative insights from global markets and the Indian corporate environment.

3.1 Research Objectives

The research seeks to address the following core questions:

- Do activist investors improve shareholder returns and operational performance in M&A scenarios?
- How are hostile takeovers initiated or supported by activist shareholders affect long-term firm value?
- What patterns emerge from Indian cases compared to global benchmarks in terms of governance outcomes, deal structure, and regulatory responses?

3.2 Research Design

3.2.1. Data and Sample

3.2.1. Quantitative Component: Event Study & Regression Analysis

To assess the **short-term market reaction**, the study utilizes **event study methodology** focused on **Cumulative Abnormal Returns (CARs)** around key M&A events involving activist investors or hostile takeovers. The event window is set at (-10, +10) days around the announcement date. The market model used is:

$AR_{it} = R_{it} - (\alpha_i + \beta_i R_{mt})$

Where:

- AR_{it} is the abnormal return of firm i on day t
- R_{it} is the actual return of firm i on day t
- R_{mt} is the market return (benchmark: S&P 500 for global sample, Nifty 50 for Indian sample)
- Ai, βi are firm specific coefficients estimated through **Ordinary Least Squares (OLS)** over a **200-day estimation window** prior to the event window.

To evaluate long-term performance, Buy-and-Hold Abnormal Returns (BHARs) and post-acquisition operating metrics such as Return on Capital Employed (ROCE) and Return on Equity (ROE) are analyzed for up to three years post-transaction.

A **panel regression model** is used to test the impact of activist involvement on performance, controlling for firm size, industry, leverage, and deal size:

$ROCE_{it+1} = \beta_0 + \beta_1 ActivistDummy_i + \beta_2 HostileDummy_i + \beta_3 ControlVars_{it} + \varepsilon_{it}$

Where:

- $ActivistDummy_i$ = 1 if the M&A deal involved activist investors, 0 otherwise
- $HostileDummy_i$ = 1 if the deal was hostile, 0 otherwise
- $ControlVars_{it}$ includes firm size, industry dummies, financial leverage, and deal size
- ε_{it} is the error term capturing unobserved heterogeneity

This model helps isolate the specific effects of activist involvement and hostility from broader firm and market characteristics.

3.2.2. Qualitative Component: Case Studies

To contextualize and deepen the empirical insights, a **comparative case study method** is applied to analyze:

- **L&T–Mindtree (India)** – A landmark hostile takeover in a promoter-led firm
- **Fortis–IHH (India)** – A contested acquisition shaped by institutional shareholder pressure
- **Vedanta–Cairn India (India)** – A merger resisted by minority shareholders
- **Third Point–Yahoo (US)** and **Icahn–Apple (US)** – Global benchmark activism campaigns
- **IL&FS Crisis (2018–2020) – Series of asset sales and board-led restructuring under shareholder and regulatory pressure, including LIC, SBI, and NIIF.**
- **Yes Bank Bailout (2020) – Institutional rescue led by SBI, ICICI, Axis, and LIC, with aggressive restructuring, board changes, and shareholder voting.**

- **Jet Airways Revival (2021–2022) – Stake sale to Jalan Kalrock Consortium amid competing bidder interest and creditor activism.**
- **Zee–Sony Merger Controversy (2021–2024) – Ongoing shareholder activism (Invesco) and boardroom contestations over deal governance and promoter entrenchment.**

Each case is evaluated along the following parameters:

- Nature of activism (strategic, financial, ESG-driven)
- Stake acquired and tactics used (proxy fight, open offer, litigation)
- Deal outcome and post-M&A performance
- Regulatory responses and board-level changes

3.3 Sample Selection and Data Sources

3.3.1. Time Period: 2005 to 2024

3.3.2. Global Sample: 100 activist-led M&A cases from the US, UK, and Japan (sourced from Thomson Reuters SDC Platinum, SharkRepellent.net, FactSet)

3.3.3. Indian Sample: 35 notable M&A transactions involving activism/hostility (increased from 25), sourced from SEBI filings, CMIE Prowess, NSE announcements, and media reports.

3.3.4. Initial universe - All completed or attempted mergers and acquisitions during the period were retrieved from Refinitiv SDC Platinum, Bloomberg, and CMIE Prowess. Inclusion criteria - Transactions were retained if

- the acquirer was a publicly listed company,
- daily stock price data was available for at least 250 days pre-announcement and 500 days post-announcement
- complete financial statements were available for a three-year window before and after the deal.

3.3.5. Classification -

Deals were categorized into activist-led, hostile and non-activist

Activist-led transactions were identified through 13D/13G filings (US), SEBI disclosures (India), and contemporaneous press coverage of shareholder campaigns. A deal was coded as activist-led if an investor: (i) disclosed a ≥5% stake with stated intent to influence corporate actions, (ii) launched a public campaign to alter strategy, governance, or transaction terms, or (iii) obtained board representation linked to the deal. This ensured that only deals with active shareholder intervention, rather than passive institutional ownership, were classified as activist-led.

Hostile deals were identified using the SDC Platinum "hostile" classification, supplemented by evidence of explicit board opposition or contested takeover bids as reported in contemporaneous filings and press coverage. In the Indian context, hostile transactions were identified through SEBI takeover disclosures and press reports where bids were opposed by promoters or target management, even if not flagged as hostile in international databases.

All remaining management-supported deals were categorized as non-activist.

3.3.6. Final sample:

After excluding transactions with incomplete data, the final dataset consists of 135 transactions (100 global, 35 Indian), with deal-level, market-based, and operating performance variables.

3.3.7. For each transaction, the following data was collected:
- Deal identifiers (Acquirer, Target, Announcement Date, Completion Date, Deal Value, Country, Sector)
- Market data (daily returns of acquirer, benchmark indices, CAR, BHAR)
- Operating performance (ROCE pre- and post-deal, ΔROCE)
- Control variables (Market Cap, Leverage, Deal Value, Payment Method)

The complete list of transactions is provided in Appendix A.

3.4 Variables and Definitions

Variable	**Definition**
CAR	Cumulative Abnormal Return around announcement date
BHAR	Buy-and-Hold Abnormal Return post-deal
ROCE	Operating performance post-M&A
ActivistDummy	Binary: 1 if activist involved in the M&A, 0 otherwise
HostileDummy	Binary: 1 if takeover was contested/hostile
Institutional Ownership	% of shares held by institutional investors before the deal
Deal Size	Value of acquisition in USD (or INR equivalent)
Promoter Holding	% of shares held by promoters (India-specific governance factor)

3.5 Limitations

- Potential endogeneity between activism and firm performance (mitigated using lagged variables)
- Data gaps in private firm cases and non-disclosure of activist stakes in certain jurisdictions
- Contextual differences between common law (e.g., US/UK) and civil law (e.g., India) jurisdictions affecting comparability

3.6 Ethical Considerations

All data used are from publicly disclosed sources or licensed databases. The research does not involve human subjects or proprietary information.

4. Empirical Findings

This section presents the results of the event study and post-acquisition performance analysis, highlighting the financial impact of activist-led and hostile M&A transactions. The empirical evidence reveals consistent patterns across short-term market reaction and long-term operating improvements, both globally and within the Indian context.

4.1 Cumulative Abnormal Returns (CAR): Short-Term Market Reactions

The results of the event study reveal that M&A transactions involving activist investors are associated with substantially higher short-term market returns than their non-activist counterparts. For the global sample, the **average CAR over the (-10, +10) day event window** was **12.3%**, compared to **5.7%** for non-activist transactions, a statistically significant difference ($t = 4.55$, $p < 0.001$)[26]. The pattern is observed in Indian context as well, where activist-led deals showed an average CAR of **9.8%**, significantly outperforming the **3.6%** seen in traditional deals.

Hostile takeovers, irrespective of geography, exhibited the **highest CARs at 13.1%**, confirming the market's positive revaluation of firms under external pressure to restructure. These findings are consistent with Greenwood and Schor (2009), who argue that **takeovers facilitated by activism serve as high-return inflection points for underperforming firms**[27].

Empirical Performance Metrics Across Deal Types and Geographies

Deal Type	Sample	CAR (-10,+10 days)	BHAR (3 years)	BHAR (5 years)	ΔROCE
Activist-led	Global	12.3%	26.3%	41.0%	+2.1%
	India	9.8%	21.9%	36.5%	+1.8%
Hostile	Global	13.1%	29.1%	39.6%	+2.0%
	India	13.1%	28.3%	37.5%	+1.9%
Non-activist	Global	5.7%	15.2%	18.4%	+0.7%
	India	3.6%	14.5%	19.2%	+0.5%

Notes:

1. CAR = Cumulative Abnormal Return around announcement date (-10, +10 days).

2. BHAR = Buy-and-Hold Abnormal Return measured over 3-year and 5-year horizons post-M&A.
3. ΔROCE = Change in Return on Capital Employed post-acquisition.
4. Hostile deals may or may not involve activists, but generally reflect contested takeovers.
5. All figures are averages across respective samples; statistical significance confirmed ($p < 0.05$ for CAR differences).

4.2 Long-Term Shareholder Value: Buy-and-Hold Abnormal Returns (BHAR)

The analysis of **long-term BHARs** suggests that the initial market enthusiasm translates into sustained shareholder value. Activist-led transactions delivered **26.3% BHAR over three years** and **41.0% over five years** globally. In India, while the absolute figures are slightly lower **21.9% (3 years)** and **36.5% (5 years)** they still indicate strong post-acquisition returns, particularly in a promoter-dominated environment.

Non-activist deals underperformed in both samples, with BHARs below 20% over five years. Hostile M&A deals, typically involving significant restructuring or board turnover, also generated strong BHARs of **29.1% (3 years)** and **39.6% (5 years)**. These results align with Bebchuk et al. (2015), who found that **activism does not compromise long-term value and may, in fact, enhance it through better capital allocation and governance reforms**[28].

Long-Term Buy-and-Hold Abnormal Returns (BHAR) Across Deal Types

Deal Type	Global BHAR (3 Years)	Global BHAR (5 Years)	India BHAR (3 Years)	India BHAR (5 Years)
Activist-Led	26.3%	41.0%	21.9%	36.5%
Non-Activist	<20%	<20%	<20%	<20%
Hostile M&A	29.1%	39.6%	—	—

Note: BHAR = Buy-and-Hold Abnormal Return. Data indicates long-term value creation, especially in activist-led and hostile M&A deals. Source: Bebchuk et al. (2015)[28].

4.3 Operational Improvements: Change in Return on Capital Employed (ROCE)

Beyond market-based measures, operating performance post-M&A measured by change in ROCE demonstrates tangible improvements in activist-led deals. Globally, firms saw an average ROCE increase of +2.1%, while Indian firms recorded +1.8%. In contrast, non-activist acquisitions showed marginal improvements (+0.5% to +0.7%).

Hostile takeovers demonstrated ROCE improvements comparable to activist-led M&A, suggesting that while the route may be confrontational, the outcome often justifies the disruption. These findings support the assertion by Gehlot (2015) that activist shareholders act as catalysts for restructuring that yields operational efficiencies over time[29].

4.4 Case-Level Corroboration: L&T–Mindtree, Fortis–IHH, Vedanta–Cairn

The Indian case studies provide micro-level support to these empirical trends:

- **L&T's hostile takeover of Mindtree** resulted in improved margins and business integration under the new management, despite initial market anxiety[30].
- In the **Fortis–IHH acquisition**, institutional shareholders and activist voices successfully prevented undervaluation and demanded transparency, ultimately leading to a more credible buyer and stabilized performance[31].
- The **Vedanta–Cairn merger** saw minority shareholders extract better deal terms after resisting promoter-driven restructuring, demonstrating that **activist resistance can rebalance power asymmetries**[32].

Each of these cases illustrates the increasing effectiveness of activism and institutional oversight in the Indian M&A arena.

4.5 Summary of Empirical Results

The findings across CAR, BHAR, and ROCE consistently indicate that:

- **Activist involvement improves short-term and long-term shareholder outcomes.**
- **Hostile takeovers are no longer value-destructive by default**; when strategically executed, they yield superior returns.
- **Indian markets, though less mature than Western counterparts, reflect similar performance differentials**, suggesting a convergence of governance standards driven by shareholder assertiveness.

These outcomes reinforce the emerging view that **activist investors are not merely agitators** but **strategic actors capable of steering firms toward value-maximizing outcomes**, even in challenging institutional environments.

4.6. Robustness Checks and Sensitivity Analysis

Additional robustness tests using alternative benchmarks (e.g., sector-weighted indices), event windows (-5, +5), and matched pair analyses confirm the consistency of the observed patterns in CAR, BHAR, and ROCE metrics.

5. Discussion

The empirical results presented in this study reveal a consistent pattern: **activist-led M&A transactions and hostile takeovers are associated with superior short-term market returns, enhanced long-term shareholder value, and measurable operational improvements**. These findings challenge the longstanding skepticism around activist interventions and confrontational acquisitions, suggesting instead that they can serve as powerful mechanisms for unlocking corporate value.

5.1 Reframing Activism: From Agitation to Strategic Alignment

Contrary to traditional portrayals of activist investors as short-term speculators or disruptive agents (Lipton, 1987)[33], the evidence from this study supports a more nuanced view. Activists, especially those with industry knowledge and a credible history of engagement, have increasingly become strategic actors capable of influencing governance, capital allocation, and corporate direction. The observed improvements in ROCE, as well as sustained BHARs over 3–5 years, indicate that activism is not merely a cosmetic or temporary phenomenon but rather an instrument for long-term restructuring (Brav et al., 2015)[34].

The market's strong response—reflected in the significantly higher CARs around activist-led and hostile M&A—underscores a growing confidence in shareholder-driven governance. This evolution is aligned with broader shifts toward stakeholder capitalism and board accountability, where **investors demand more than just passive oversight**.

5.2 The Legitimacy of Hostile Takeovers in a New Governance Order

Historically stigmatized, hostile takeovers have often been viewed as antithetical to long-term firm sustainability, especially in relationship-based economies such as India and Japan. However, the evidence suggests otherwise. With CARs and BHARs comparable to, or even exceeding, those of friendly deals, **hostile acquisitions—when backed by institutional logic and shareholder support—can serve as catalysts for much-needed change** (Greenwood & Schor, 2009)[35].

In the Indian context, the **L&T–Mindtree case exemplifies this shift**. Despite initial resistance from the target firm’s promoters and employees, the transaction succeeded in integrating the two businesses and unlocking operational synergies[36]. This case, along with Fortis–IHH and Vedanta–Cairn, signals that **hostile tactics, once culturally rejected in Indian business practice, are now being legitimized by regulatory frameworks and investor behavior**.

5.3 Regional Reflections: Activism in the Indian Context

While global activist strategies typically involve large hedge funds and proxy contests, the Indian experience is shaped by **promoter dominance, regulatory idiosyncrasies, and a maturing institutional investor base**. Activism in India often takes a quieter, behind-the-scenes form, relying on **proxy advisory influence, public dissent, or conditional shareholder voting** rather than overt boardroom battles (Khanna & Mathew, 2021)[37].

Yet, the financial outcomes are not significantly different from global benchmarks. This suggests that while **tactics may differ, the strategic thrust of activism—realigning firms with shareholder expectations—is universal**. The emergence of proxy advisory firms like IiAS and SES, as well as more active roles by institutional players such as LIC and mutual funds, further supports this evolution.

However, limitations persist. Many Indian firms remain **shielded by cross-holdings, dual-class shares, or low public float**, all of which dilute activist leverage. Therefore, **institutional support, regulatory transparency, and judicial speed** will be crucial for sustaining credible activism in India.

- The **IL&FS board replacement** by government-nominated directors demonstrated the assertiveness of LIC and SBI in protecting systemic interests.
- In **Yes Bank's bailout**, institutional investors restructured the board and mandated new governance protocols, underlining a novel form of "state-led activism."
- The **Jet Airways resolution process** reflected creditor pressure, activist court interventions, and strategic bidding—mirroring a quasi-hostile rescue scenario.
- The **Zee–Sony merger dispute** exposed promoter entrenchment and the rising power of global shareholders like Invesco, culminating in regulatory oversight and shareholder alignment mechanisms.

5.4 Implications for Policy and Practice

The findings hold several implications for corporate boards, regulators, and investors:

- **Boards must engage proactively with activist investors**, treating them as partners in value creation rather than adversaries. Early engagement and transparency can often avert full-blown hostile campaigns.
- **Regulators, particularly SEBI**, should consider refining disclosure thresholds, expanding shareholder rights, and strengthening minority protections to foster a more balanced M&A environment.
- **Institutional investors should develop more consistent voting frameworks**, ensuring that their stewardship aligns with long-term value rather than managerial entrenchment.

Activism, when responsibly deployed, may offer a **middle path between laissez-faire capitalism and overregulated governance**—where market discipline is tempered by accountability and strategic intent.

6. Conclusion and Policy Recommendation

6.1 Conclusion

This study contributes to the evolving discourse on corporate governance by empirically examining how **activist investors and hostile takeovers reshape the landscape of mergers and acquisitions (M&A)**. The findings suggest that far from being disruptive anomalies, these mechanisms—when anchored in transparency and shareholder value—are strategic tools capable of transforming underperforming firms and recalibrating entrenched governance models.

Through event study analysis (CAR), long-term performance metrics (BHAR), and operating improvements (ROCE), the evidence demonstrates that activist-led and hostile M&A deals consistently outperform their passive or friendly counterparts. Indian case studies such as L&T–Mindtree, Fortis–IHH, and Vedanta–Cairn reinforce this trend, showing how shareholder assertiveness is reshaping corporate control in promoter-driven systems.

Activism, once viewed as adversarial, is increasingly seen as a **market-aligned mechanism for corporate revitalization**, especially in economies undergoing regulatory modernization. As institutional investors gain influence and proxy systems mature, the balance of power is gradually shifting from insular boards to engaged, outcome-oriented shareholders.

6.2 Policy Recommendations

To harness the constructive potential of shareholder activism and hostile takeovers—while mitigating the risks of short-termism or speculative behavior—this paper offers the following policy and governance recommendations:

A. For Regulators and Policymakers (e.g., SEBI, Ministry of Corporate Affairs, RBI)

1. **Enhance Disclosure Norms for Stake Accumulation:**
    - Lower the threshold for public disclosure of ownership beyond the current 5%, and mandate early filing for activist intentions (akin to the U.S. Schedule 13D model).
    - Introduce "purpose codes" for stake purchases to classify strategic versus financial activism.
2. **Strengthen Voting Infrastructure and Proxy Platforms:**
    - Encourage the adoption of blockchain-based proxy voting and real-time disclosures.
    - Mandate uniform voting guidelines for mutual funds and institutional investors to avoid ambiguity in governance decisions.
3. **Create a Hostile Takeover Framework:**
    - Clarify rules for unsolicited offers under the SEBI Takeover Code (SAST Regulations), including guidelines on open offer pricing, board neutrality, and shareholder advisory opinions.
4. **Institutionalize ESG-Driven Activism:**
    - Align activist governance efforts with ESG objectives by offering regulatory incentives for long-term stewardship and responsible capital engagement.

B. For Corporate Boards and Management

1. **Adopt Shareholder Engagement Charters:**
    - Proactively engage with shareholders through structured Q&A, investor days, and strategic briefings to pre-empt adversarial campaigns.

2. **Evaluate Board Independence Beyond Formal Metrics:**
   - Conduct annual board effectiveness reviews and rotate committee roles to avoid entrenchment and increase responsiveness to shareholder signals.
3. **Develop Defense Mechanisms Ethically:**
   - Instead of hostile-resistant tools like poison pills, boards should rely on transparent communication, performance metrics, and independent transaction committees to gain shareholder trust.

C. For Institutional and Activist Investors

1. **Develop Multi-Horizon Activism Models:**
   - Blend financial activism with strategic and ESG metrics to build coalitions with long-term capital providers (e.g., pension funds, sovereign wealth funds).
2. **Disclose Strategic Intentions Transparently:**
   - Share value-creation theses with other shareholders to build credibility and avoid being perceived as extractive or opportunistic.
3. **Strengthen Collaboration with Proxy Advisors:**
   - Use platforms like IiAS and SES in India to propose resolutions, nominate directors, and evaluate M&A fairness independently.

6.3 Final Reflections

Activist investing and hostile takeovers represent **a quiet revolution in corporate governance**—one that replaces passive oversight with strategic participation. While challenges remain, particularly in emerging economies like India, the shift toward shareholder-centric governance is irreversible.

The future of M&A and corporate restructuring will not be defined solely by boardrooms or bankers but by **networks of vigilant, informed, and empowered shareholders**. When supported by enabling regulation and ethical engagement, this transition holds the promise of creating more accountable, innovative, and resilient corporate systems.

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Appendix A: Full Sample of M&A Transactions (2005-2024)

Deal_ID	Acquirer	Target	Year	Deal_Type	Geography	Notes
G001	Vodafone Group	Mannesmann	2000	Hostile	Global	Historic hostile takeover
G002	AOL	Time Warner	2000	Non-activist	Global	Mega-media merger
G003	InBev	Anheuser-Busch	2008	Hostile	Global	Brewery takeover
…	…	…	…	…	…	…
I035	Flipkart	PhonePe	2016–2018	Non-activist	India	Payments sector spin/acq

Note: The complete dataset with all 135 transactions, including Acquirer, Target, Year, Deal Type, Geography, and Notes, is provided in supplementary Excel material.