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SHOULD SOUTH AFRICAN COMPANIES BE CONCERNED ABOUT THE RISING TIDE OF PUBLIC SHAREHOLDER ACTIVISM?

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ABSTRACT

Shareholder activists are becoming more vocal and effective in changing corporate policies and practices. This study replicated an event study by Bhana (2010) to investigate the impact that public criticism by the well-known South African shareholder activist Theo Botha had on the abnormal returns of targeted companies. A total of 129 events involving 50 companies were analysed over the period May 2002 to December 2013. In contrast to Bhana (2010), no statistically significant differences were noted in either the short-term (one month after the event) or long-term (18 months after the event). Although the 'Botha sting' is not observed in this study, local shareholders and managers should still heed his warnings. Managers who wish to avoid reputational damaged should develop processes to deal with shareholder demands, whether these are made in public or private. Regular and clear communication is becoming an increasingly important prerequisite for sound shareholder relationships.

INTRODUCTION

"We have totally screwed up" (Hotten, 2015: 1). These words were uttered by Michael Horn, former chief executive officer (CEO) of Volkswagen (VW) Group America, when it came to light that the company sold thousands of diesel vehicles with a "defeat device" (Hotten, 2015). This sophisticated software detected when a vehicle was tested and subsequently changed its performance to reduce emissions. Volkswagen Group's share price decreased by 20 per cent on the day news of the scandal became public (22 September 2015) (Volkswagen AG, 2016).

It is not uncommon for a company's share price to fall when news of unethical behaviour is exposed. What makes the VW case unique is the massive outcry of discontent by slighted customers and shareholders on social media (Davis, 2015). This very public demonstration of displeasure fuelled the on-going divestment of VW shares long after Horn apologised and resigned. At the time of writing this paper (May 2016), the group's share price still traded at levels far below those seen before news of the scandal broke (Volkswagen AG, 2016). Some of VW's investors, most notably California's public pension fund and Norway's sovereign wealth fund, initiated legal proceedings as a result of losses suffered in the aftermath of the crisis (Chopping and Dauer, 2016).

Shareholders from 19 firms managing almost $1 trillion are also pushing VW and other car manufacturers to disclose how pollution rules affect their businesses. This campaign seeks, amongst others, information on the companies' links to regulators and trade associations (Currie, 2015). The VW case illustrates three mechanisms available to shareholders to voice their disapproval of certain corporate policies and practices. These and other mechanisms which are typically used by shareholder activists to promote change are listed in Table 1 (the ones used by VW shareholders are indicated with an asterisk *).

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TABLE 1

SHAREHOLDER ACTIVISM MECHANISMS

	Mechanism
Private (informal)	Writing letters
	Negotiating with management in private
	Divesting (i.e. selling some or all the shares owned in the investee company)*
	Initiating legal proceedings to enforce shareholder rights*
Public (formal)	Filing shareholder resolutions
	Asking questions at annual general meetings (AGMs)
	Opposing management and shareholder-initiated resolutions by voting against them
	Stimulating public debate on issues of concern (e.g. talking to the media and raising issues at conferences)
	Criticising a company on social media*

Sources: Jansson (2013); Morgan, Poulsen, Wolf and Yang (2011); Wen (2009); Logsdon and Van Buren (2009)

Shareholder activists are institutional and individual investors who use their equity stake in a company (called the investee company) to hold managers accountable for their actions. Several industry reports show that shareholder activism is on the rise internationally, particularly among institutional investors (Activist investing: An annual review of trends in shareholder activism, 2016; Goodman and Fields, 2015; European SRI Study 2014, 2014). Institutional investors manage funds on behalf of clients (William and Darity, 2008) and consist of retirement funds, long-term insurers and collective investment scheme management companies. These investors typically have more incentives and resources to monitor and influence managerial behaviour compared to individual investors (Gillan and Starks, 2007).

Shareholder activists' preferences for specific mechanisms (Table 1) are strongly influenced by the prevailing business culture in a country. As public criticism is frowned upon in the United Kingdom (UK) (Becht, Franks, Mayer and Rossi, 2010; Burgess, 2016) and Scandinavia (Poulsen, Strand and Thomsen, 2010), institutional investors in these countries prefer to engage managers behind closed doors. In contrast, many activists in the USA will not hesitate to raise their concerns in public, especially if private negotiations did not have the desired effect.

Size also matters in the choice of activism mechanism(s). Small institutional investors and individual investors (also called gadflies) seldom have access to management and are thus restricted to voicing their discontent through public activism mechanisms (Viviers and Smit, 2015). Despite being limited to these mechanisms, gadflies are currently enjoying "a power and audience beyond what they have ever enjoyed" (Duhigg, 2007). According to Den Hond and De Bakker (2007), ideological differences among activists further motivate their choice of mechanism(s). Whereas the majority of shareholder activists seek improved financial performance, a growing number are also considering environmental, social and corporate governance (ESG) issues (Goranova and Ryan, 2014).

The activism 'revolt' (as it has been dubbed in *The Economist*) has not been welcomed in all circles (Capitalism's unlikely heroes, 2015). Critics have argued that shareholder activism is "disruptive, opportunistic, misguided and at best ineffective" (Becht *et al*., 2010:3094). Critics of union-back activism in the United States of America (USA) even claim that it punishes "the millions of individuals who rely on these investments for retirement… since [activism] does not increase the value of a company's stock" (Anderson, 2015:1).

It makes intuitive sense that a company's share price will decrease in reaction to a scandal (as in VW's case) and in response to negative publicity about the board or the company in general. Joe, Louis and Robinson

(2009) for example found that companies included in Business Week's "Worst corporate boards" list experienced a significant adverse stock market effect. Exposure of board ineffectiveness (by institutional investors who compiled the list) forced many of the targeted companies to take corrective action and increase shareholder wealth in the long run. Although there is disagreement on the capacity of shareholder activists to increase shareholder value in the long-term, the majority of pre-2008 studies lean toward a sceptical stance (Sjöstrom, 2008). The situation seems to have changed in the aftermath of the global financial crisis (pertinent findings are provided later in this paper).

The above mentioned developments raise the question: should South African companies be concerned about the rising tide of activism? Although it is difficult to determine the full extent of private shareholder activism in South Africa (Viviers and Smit, 2015), there are indications that it is on the rise (Silverman and Duncan, 2014). More public displays of shareholder discontent have also been reported involving local activists (Bonorchis, 2016; Hasenfuss, 2016a).

For more than a decade Mr Theo Botha has been highlighting unsatisfactory accounting, financial and corporate governance practices among JSE- listed companies (Steyn, 2011). Botha is not the only individual shareholder activist who has turned up the heat at AGMs. Chris Logan, David Couldrige, Issy Goldberg, Roy McAlpine and a gentleman colloquially called 'Mr Hayden' have also raised their concerns publically over the years (Hasenfuss, 2015; Barron, 2011; Carte, 2011). Botha is, however, by far the most vocal and prolific shareholder activist in South Africa (Steyn, 2011).

Botha's shareholder activism endeavours started in 2002 after making a small investment in the Sage Group, a South African life assurance company. He discovered that the company failed to disclose losses in their US operations to local shareholders (Keeping tycoons on their toes, 2007). He privately questioned management on the omission only to be told that the company's financial statements complied with the legal disclosure requirements in South Africa. Unsatisfied with management's response, Botha raised the issue at Sage's AGM. As he received the same brush-off as earlier, he decided to approach the media. Not only did the company's share price decrease dramatically in response to the media reports, but its credit rating was also downgraded a few weeks later (Planting, 2012). Since Botha's initial deliberations with The Sage Group, he has engaged numerous companies listed on the Johannesburg and London stock exchanges. He has earned a reputation as a corporate watchdog (or terrier to be more specific) and enjoys wide media coverage (Shevel, 2014; Creamer, 2009). Botha is currently part-owner and director of CA Governance, a leading independent corporate governance practitioner in South Africa (CA Governance, 2016).

Bhana (2010) conducted research on what he called the 'Botha sting'. Using an event study methodology, Bhana (2010) found that companies that were publically criticized by Botha experienced a statistically significant decrease in abnormal returns in the first month after being 'stung'. Targeted companies further experienced abnormal returns of -15.15 per cent and -22.94 per cent over the next 12 and 24 months.

PROBLEM INVESTIGATED AND RESEARCH HYPOTHESES

As Bhana's (2010) study was conducted over a relatively short period (January 2003 to June 2006), the researcher set out to replicate the study over a longer period (May 2002 to December 2013). This period covers the global financial crisis (2007 – 2009) and the period of increased shareholder activism that followed it (Driscoll, 2015). The hypotheses formulated for this study were thus:

$H0^1$: There is no statistically significant difference in the abnormal returns of companies that have been publically criticised by Botha one month after the criticism was published.

$H0^2$: There is no statistically significant difference in the abnormal returns of companies that have been publically criticised by Botha 18 months after the criticism was published.

Whereas $H0^1$ measured whether the 'Botha sting' still exists, $H0^2$ evaluated the long run effect of Botha's public admonishments.

This study is underpinned by a number of evolutionary theories of institutional change which posit that the ultimate impetus for institutional change comes from deliberate human actions (Kingston and Caballero, 2009). In these theories, there is no single mechanism (such as legislation) which causes a coordinated shift in 'the rules of the game', or in the behaviour and beliefs of role players. Instead, new rules and behaviours emerge from the uncoordinated choices of many individuals rather than a single collective choice or political process. In the context of this study, reference is made to deliberate actions of one specific individual, the shareholder activist Theo Botha, who aims to change corporate policies and practices for the better.

In the following section an overview of shareholder activism in South Africa is provided along with the findings of previous studies on the effectiveness of various shareholder activism mechanisms. Next, the research methodology of the study is presented followed by pertinent findings, conclusions and recommendations.

SHAREHOLDER ACTIVISM IN SOUTH AFRICA

Viviers and Smit (2015) and Winfield (2011) reported that institutional investors in South Africa prefer to engage investee companies behind closed doors. A local fund manager explains institutional investors' preference for this non-confrontational approach by stressing the importance of investor-investee relationships. He argued that "disagreements [between investors and managers of investee companies] are unlikely to be resolved in an amicable fashion once the dirty laundry has been aired in public" (Mans-Kemp, Viviers and Erasmus, 2016).

Given the confidential nature of private negotiations, the frequency, intensity and outcomes of these engagements remain a mystery to all but those who were privy to the negotiations. Outsiders (and this includes other shareholders) have no insight into the nature of concerns raised, managers' responses to shareholders' demands and whether or not shareholders have followed up on managers' promises to transform. Although it is difficult to determine the full extent of private activism in South Africa, some authors claim that it is increasing (Silverman and Duncan, 2014).

A systematic analysis of secondary literature reveals that local companies are increasingly being criticised in public by institutional and individual investors alike (see Appendix A for a list of companies targeted by Botha over the research period). Other prominent companies targeted by the Public Investment Corporation and other activists in recent years include: Woolworths Holdings (Stone, 2014), Sovereign Foods (Planting, 2015), Steinhoff (Botha and Kocks, 2015), Illovo Sugar (Bonorchis, 2016), Pick n Pay Stores (Bonorchis, 2016), MTN Group (Spillane and Bowker, 2015) and Coronation (Cairns, 2016; Hasenfuss, 2016b).

In an attempt to promote shareholder activism among institutional investors, Regulation 28 of the Pension Funds Act (No. 24 of 1956) was amended in 2011. In the same year, the Code for Responsible Investing in South Africa (CRISA) was launched to provide institutional investors with guidance on complying with this Act, as well as recommendations contained in King III and the United Nation's Principles of Responsible Investing (PRI) (ASISA, 2016). Although some analysts claim that these initiatives have been unsuccessful in promoting shareholder activism (Feront, 2015), all of them stress the need for more active engagement (All shareholders should be activists, 2015; Hasenfuss, 2015; Theobald, 2015).

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THE EFFECTIVENESS OF SHAREHOLDER ACTIVISM

The effectiveness or success of shareholder activism can be measured in a number of ways. In the US context, success is often evaluated in terms of the number of shareholder-initiated resolutions that have been withdrawn prior to a company's AGM (Wen, 2009). Shareholder-initiated resolutions or proposals are increasingly dealing with ethical and ESG considerations than purely financial matters. The higher the number of withdrawals, the more successful activists have been in influencing corporate policies and practices.

Rojas, M'zalie, Turcotte and Merrigan (2009) warned that resolutions can be withdrawn for a number of reasons and that a more refined definition of success should be used. Using 'resolutions withdrawn in exchange for implementation of request' they found that activists had a more limited capacity to change corporate social policies than previously reported. They claimed that the capacity to exert pressure on management was substantially higher for some types of filers, notably pension funds and mutual funds, and for specific issues, particularly board diversity, energy and environment and international labour and human rights. Several other researchers have also noted the importance of firm and investor characteristics as moderating variables.

Market reactions to shareholder activism have been extensively investigated. Although some authors have reported positive and negative relationships, the majority of studies found insignificant market reactions to shareholder activism (see Goranova and Ryan, 2014 for a comprehensive overview of these studies). A similar picture emerges from studies investigating the relationship between shareholder activism and operating performance.

Other researchers have focussed on the number of 'no' votes that a company attracts on certain resolutions. Although the empirical evidence is not overwhelming, several studies show that high levels of 'no' votes have resulted in companies taking concrete steps to appease disgruntled shareholders. These steps have included replacing managers, reducing bonuses in the following year(s), linking executive remuneration to performance (Bauer, Moers and Viehs, 2015; Ferri and Maber, 2013; Conyon and Sadler, 2010) and improving pollution management (Lee and Lounsbury, 2011).

In one of the few studies on private engagements, Becht *et al.* (2010) evaluated letters, memos, minutes, presentations, transcripts and recordings of telephone conversations and client reports made available by the Hermes UK Focus Fund. Over the period 1998 to 2004, the fund generated abnormal returns net of fees of 4.9 per cent a year *vis-à-vis* the FTSE All Share Index. The authors estimated that around 90 per cent of this abnormal return was due to activist outcomes. Not only does 'behind-the-scenes' negotiations in the UK lead to sound stock market performance of targeted companies, but it also seem to result in significant changes in corporate behaviour (Bauer, Clark and Viehs, 2013). Similar findings were noted in the USA and dubbed the 'CalPERS effect' referring to the successes that California's Public Pension Fund has enjoyed as a result of their activism endeavours (White, 2014).

Whereas the majority of effectiveness studies prior to the global financial crisis leaned toward a sceptical stance (Sjöstrom, 2008), it seems as if activists are experiencing more success of late. A 'sting' followed by improved operating and financial performance is, however, not a guarantee. A spokesperson of the Interfaith Center on Corporate Responsibility aptly remarked that an activist campaign can sometimes take years to bear fruit. The Centre has nearly 300 member organisations and engages public companies with the aim of promoting more sustainable and just business practices. "We are not the kind of activists who are just here to make noise…we are folks who do our homework and just plug away and plug away…It is not for everybody, but we think it's an important tool in a multilateral approach to changing some of the world's most

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intractable problems" (Anderson, 2015:1). The notion that victories do not come quickly or easily was also stressed by shareholder activists in Europe and the UK (Burgess, 2016).

To investigate whether the 'Botha sting' is still observable in South Africa, Bhana's (2010) event study was replicated using a larger sample over a longer period of time. Details on the research methodology are presented below.

RESEARCH METHODOLOGY

Given the nature of the research problem, a positivistic research paradigm was adopted. Both qualitative and quantitative secondary data were collected. The collected data were analysed by means of document analysis, descriptive and inferential statistics.

Identification of sample companies

Search engines such as Google and Yahoo! were used to identify newspaper and magazine articles which featured Botha's activism endeavours over the research period (May 2002 to May 2015). Articles were also sourced from the researcher's private collection and references indicated on Botha's Wikipedia profile. Key words used in the search included Theo Botha, CA Governance, shareholder activism, shareholder engagement, active engagement, annual general meeting, AGM, proxy voting, Government Employees Pension Fund, GEPF, Public Investment Corporation, PIC, Code for Responsible Investing in South Africa, CRISA, Regulation 28, proxies, proxy voting, resolutions and minority investors.

Source documents were classified as Financial, General or Specialist in nature. Examples of Financial source documents include Business Day, Fin24, Financial Mail, Finweek and Moneyweb, whereas The Sunday Times, The Star, The Citizen, Mail & Guardian and New Age were classified as General. Specialist sources mainly catered for readers interested in the resources industry and included publications such as Mining Weekly, Mining Online and Miningm^{x}.

The vast majority of Botha's criticism was captured in Financial sources (73.5%), followed by General (21.6%) and Specialist (5%) sources. The fact that General newspapers and magazines reported on Botha's shareholder activism endeavours supports the claim that he is the "face of minority shareholder activism" in South Africa (Mpofu, 2013; Harris, 2011b). For the purposes of this research, only articles published in Financial sources were considered appropriate. As indicated in Table 2, a distinction was furthermore made between cases where Botha (or the journalist citing Botha) only briefly mentioned a company's name and cases where Botha's censure was clearly articulated.

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TABLE 2

PUBLICATIONS FEATURING BOTHA'S ADMONISHMENTS OVER THE RESEARCH PERIOD[A]

Year	Criticism indicated	Briefly mentioned	Total
2002	3		3
2004	4		4
2005	4	3	7
2006	8		8
2007	24	8	32
2008	31		31
2009	35		35
2010	24		24
2011	28	5	33
2012	21	2	23
2013	18	13	31
2014[b]	86	6	92
2015	11	9	20
Total	**297**	**46**	**343**

(a) This is not an exhaustive list despite the researcher's effort to compile as complete a list as possible. Botha praised companies for having sound corporate governance practices or having made progress on issues which he highlighted as problematic in the past. These observations were not included as the focus of this article is on criticism, not praise.
(b) The number of criticisms in 2014 was extraordinarily high as Botha wrote a regular column for Moneyweb in this year.

Only those articles in which the nature of Botha's criticism was clearly defined were further analysed. In a few instances, Botha commended companies for improving disclosure on their remuneration policies or for appointing more independent directors. These articles were discarded as the focus of this study was on the 'Botha sting' i.e. his criticism, not his praise. According to Earl, Martin, McCarthy and Soule (2004), the use of newspaper data to investigate collective action is becoming more commonplace and highlight the dangers associated with selection and description bias. Being aware of these biases, the researcher took extra care in collecting and analysing relevant articles.

Data collection

In contrast to Bhana (2010), an event window of +18 months was adopted as proxy for the *long-term* (instead of 25 and 36 months). This decision was based on research by Kothari and Warner (1997) who found that short-horizon event studies are more reliable than ones taking a longer term view. In light of the above, only articles that had been published on or before 31 December 2013 was considered for analysis. The final sample consisted of 129 events involving 50 listed companies. Companies that delisted from the JSE at some point before 31 December 2013 were included in the sample to avoid survivorship bias.

The following data were collected from the INet BFA database for each event: the company's unique JSE ticker code, its industry classification, closing price on the event date and closing prices on comparison dates starting 19 months prior to the event and ending 18 months after the event. The closing values of the FTSE/JSE All Share index were downloaded for the same dates. In line with Bhana (2010), the monthly returns for each company and the market index was computed using Equation 1:

$$R_{iT} = \prod_{t=1}^{T}(1 + r_{iT}) - 1 \qquad [1]$$

Where:

R_{iT} is the raw return for company i at the end of month t

R_{mT} is the raw return for the market at the end of month t

Although there are some limitations associated with using the FTSE/JSE ALSI, it was none-the-less used to ensure comparability with Bhana's study. Next the abnormal return for each company was calculated by means of Equation 2:

$$AR_{iT} = R_{iT} - R_{mT} \qquad [2]$$

Book-to-market ratios were computed using the downloaded book and market values of ordinary shareholders' equity on comparison dates. Book values were used at the end of a particular calendar year. Given that the financial statements of companies operating in the Resources and Financials industries differ from those of other companies, no data were included on their book values. In cases where a company had negative equity in one or more years, the book values were also omitted. Care was taken to account for corporate events such as mergers, acquisitions, name changes and de-listings. Some events were also deleted as they did not have sufficient data pre- and post-event. Furthermore, if Botha criticised a company more than once in a particular month, only the first event was analysed (hence the different totals reported in Tables 2 and 3).

Data analysis

Document analysis was used to identify events to be included in the study. In terms of the quantitative analysis, both descriptive and inferential statistics were computed. The mean abnormal returns (AR_{it}) were computed for months -18 to +18. One sample t-tests was then used to test if these returns differed significantly from zero. For testing whether there were differences in AR_{it} in the short and long term (one month and 18 months after the event), mixed model repeated measures ANOVA were conducted with month as fixed effect, and the companies included in the study as random effects.

RESULTS

Botha's *modus operandi* as an individual shareholder activist

Being an individual investor, Botha is restricted to public shareholder activism mechanisms (see Table 1). He sometimes buys only one or a few shares to be allowed access to a company's AGM (Steyn, 2011). Botha's main *modus operandi* is to ask questions at AGMs (Tarrant, 2014; Vanek, 2012; Harris, 2011a). In the past he has sent a list of questions to the chairperson prior to the AGM to facilitate the discussion on the day (Shevel, 2014). In a couple of instances managers have requested private engagements with Botha prior to the AGM to clarify matters. Most have done so to avoid being interrogated in public. Botha is very meticulous in preparing his questions and reads at least five years' of annual reports before attending a company's AGM (Barron, 2008). He also scrutinises circulars, information posted on the company's website and the minutes of previous years' meetings (Tredway, 2004). As Botha's prominence as a shareholder activist grew, he did more interviews with journalists (e.g. Hogg, 2008; 2009; 2010; 2011) and was even invited to write a series of articles for Moneyweb in 2014.

On the question of whether he ever becomes nervous before speaking at an AGM, Botha says: "Of course I am nervous, I'm very nervous. But I do not shout, I don't scream, I just go through the questions" (Barron, 2008). In recent years, Botha has also lodged requests in terms of the Promotion of Access to Information Act to obtain information which companies have refused to make public (Maake, 2016; Planting, 2014). Table 3 provides a breakdown of the number of events analysed per year. Recall that an event refers to Botha's public reproach of a company as reported in financial newspapers and magazines.

TABLE 3

NUMBER OF EVENTS ANALYSED PER YEAR

Year	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Number of events	1	2	2	7	14	21	21	13	16	15	17	129

The majority of Botha's public admonishments have occurred during and after the global financial crisis (2007 onwards) and highlights the role that corporate governance can play in aggravating and perpetuating crises (Mitton, 2002). It also illustrates the importance of sound corporate governance in mitigating risk (including financial risk) in future. Botha's criticism has centred on issues as diverse as board composition, director independence and remuneration, the rationale, structuring and consequences of mergers, acquisitions and other corporate restructuring activities and deteriorating financial performance (Viviers, 2015). Improvements in the composition and efficiency of boards can go a long way in mitigating future corporate governance and financial failures.

The nature of companies targeted by Botha

The average market capitalisation of companies included in this sample was much higher than that reported by Bhana (R60,84 bn compared to R24,17 bn) but had the same average book-to-market ratio (0.51). Botha has engaged JSE-listed companies across a broad economic spectrum. Most of the companies that were criticised were classified as General Industrials (26%) or Financials (20%). The remaining targets operated in the Consumer Services (18%), Resources (18%), Consumer Goods (10%), Basic Materials (6%) and Technology (2%) industries.

Impact on Botha's public criticism on the abnormal returns of targeted companies

As indicated in Table 4, the average monthly returns of targeted companies (R_{iT}) were always lower than that of the FTSE/JSE All Share Index (R_{mT}) resulting negative mean monthly abnormal returns (AR_{it}). This finding, which is in line with the efficient market hypothesis, also confirms prior research claiming that shareholder activists typically target poorly performing companies (Lantz, Montandrau and Sahut, 2010; Ng, Wang and Zaiats, 2009).

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TABLE 4

ABNORMAL RETURNS OF COMPANIES PUBLICALLY REPROACHED BY BOTHA

Months before or after the event	AR_{it} (monthly)				
	N	Mean (%)	Std Error	t	p-value
-18	128	-1.20	0.007	-1.704	0.094
-12	129	-1.60	0.009	-1.818	0.077
-6	129	-2.50	0.009	-2.789	0.009*
-3	129	-2.20	0.010	-2.215	0.035*
-2	129	-1.70	0.009	-1.834	0.075
-1	129	-1.50	0.009	-1.618	0.108
0	129	-1.60	0.009	-1.696	0.095
1	129	-0.20	0.009	-0.249	0.386
2	128	-0.60	0.009	-0.669	0.318
3	128	-0.30	0.007	-0.413	0.365
6	128	-0.20	0.009	-0.189	0.391
12	126	-1.80	0.007	-2.562	0.016
18	125	-0.60	0.008	-0.682	0.315

* Significant at the 95 per cent confidence level

In contrast to Bhana (2010), no statistically significant difference was noted in the abnormal returns of targeted companies over the short-term (one month after the event; $F(6, 766) = 0.72$; $p = .63$). As such $H0^1$ could not be rejected. This finding implies that the share prices of targeted companies were not significantly different (i.e. lower) in the short run in response to Botha's public criticism. The 'Botha sting' was thus not observed in this study.

A similar picture emerged when considering the long-term impact of Botha's shareholder activism endeavours. Given that there was no statistically significant difference in the abnormal returns of targeted companies 18 months after the event ($F(1, 124)= .07257$; $p = .79$), $H0^2$ could not be rejected either. Abnormal returns have improved slightly in the months after Botha's criticism, indicating that companies might have implemented some of his suggestions (such as improving credit management or paying less to acquire another company). This finding is, however, not statistically significant.

Discouraging as the findings may be, it is not uncommon for researchers to observe an insignificant market reaction to shareholder activism (see Goranova and Ryan, 2014 for a summary of previous studies in this regard). Managers could still benefit by giving attention to the factors highlighted by Botha and other shareholders activist to improve communication with stakeholders and mitigate potential risks.

A number of reasons could explain the findings. Bhana's study covered the first four years of Botha's public activism endeavours (2002 to 2006). It could be that the novelty wore off after 2006 and that the market ignored Botha's comments, as is often the case with gadflies (Duhigg, 2007). In the marketing literature, reference is made to 'customer fatigue' as a possible reason for a company's declining popularity (Sandberg, 2002). Customer fatigue typically result from being overexposed to unwanted marketing efforts by the company in question. In the context of this study, the market might have developed 'Botha fatigue' over the years. It could also be that the market does not view the issues raised by Botha as having a material impact. Botha himself comments that some of the concerns he raises at AGMs are deemed to be 'soft' issues compared with investors' fixation on share price returns and dividends (Hasenfuss, 2015).

A third possible explanation could be that the market does not view Botha as having any significant standing. He has been described as a "nuisance" (Ngcobo, 2011), a "pedantic nit-picker" (Hasenfuss, 2015; 2009) and an "egomaniac who loves being in the newspapers" (Barron, 2008). Market commentators in the USA have also described gadfly activists as lacking credibility given that they tend to be disruptive and self-serving (An investor calls, 2015). Commenting on institutional shareholder activism in Sweden, Nordén and Strand (2011:375) also found that some activist behaviour was driven by the investors' desire to "achieve their 15 minutes of fame". Investors who are perceived to act in this manner are often ignored or side-lined (Duhigg, 2007).

The third reason seems unlikely to explain the results as Botha has gained a great deal of credibility, legitimacy and normative power in recent years (Viviers, 2016). In the past, Botha has often raised concerns on behalf of other minority shareholders (Mpofu, 2013; Harris, 2011b; Rose, 2005) and actually provides a free service to the market by highlighting issues of concern (Keeping tycoons on their toes, 2007). In a number of cases, Botha spotted material problems which, if they were taken seriously by management at the time, could have saved shareholders a lot of money. In 2013, Botha, for example, remarked that the best thing about Sappi's June results was that the net loss of $42m was smaller than the $106m in the previous year (Harris, 2013). The paper producer's performance was partly due to poor acquisitions that were made in Europe in 2008. Botha fervently opposed these acquisitions in 2008 on economic grounds. Botha was also the first to warn of credit problems at the now suspended African Bank Investments (Harris, 2014).

Although Botha's impact might not be financial, he certainly fulfils the important roles of responsible investment champion and corporate governance watchdog in South Africa. Individuals such as Botha are key to advancing responsible investment practices in a country (Lewis and Jurvale, 2010) and keeping managers accountable in public. Botha (2014) quoted Louis Brandeis, a lawyer and crusader for social justice, who said: "Sunshine is the best disinfectant". Although Brandeis wrote these words in 1913, they remain very true today. Over the years, Botha has bravely faced ridicule and rejection all in an effort to bring shady business practices to light. Given that economic crime is reaching pandemic levels in South Africa (PwC, 2016) and that social media is enabling even the smallest of investors to voice their displeasure, more champions like Botha are likely to emerge in the near future.

CONCLUSIONS AND RECOMMENDATIONS

As the owners of companies, shareholders have the right to influence corporate policies and practice. Unfortunately, few shareholders in South Africa take their role as change agents seriously, with Theo Botha being the exception to the rule. It should be clear at this point that local investors of all sizes and managers of JSE-listed companies can benefit from Botha's research and public advice. This recommendation is particularly applicable to large institutional investors as they are in a better position to access management and bring about change by voting against certain management proposals at AGMs.

So, should JSE-listed companies be concerned about the rising tide of public shareholder activism? Based purely on the findings of the 'Botha sting' event study, the answer is NO. However, Botha is not the only shareholder activist who publically questions and admonishes companies for unethical and unsustainable policies and practices. As indicated earlier, the number of shareholders 'storming the corporate castle' both locally and globally is rapidly increasing. Shareholder activism is thus expected to intensify in future, especially in companies that have large foreign shareholders.

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Managers should therefore be proactive in dealing with activists' requests, whether these are made in public or private. Companies that do not have adequate processes in place, might become exposed to the adverse consequences of negative publicity and litigation. In this regard, Brewer (2015) suggests that managers ensure that the company's strategy is properly communicated to employees, customers and the public; that they be knowledgeable of the company's shareholder base and other key stakeholders; that they ensure that executive remuneration is in line with company performance and peers; that they develop a robust risk identification, assessment and mitigation process and ensure that the company has a crisis response action plan. The latter should include a proactive communication strategy. Driscol (2015) also advises that managers who want to avoid the reputational damage associated with an activist campaign should stay in regular contact with shareholders, be it thought their website content, supplemental materials, letters from the board or presentations.

It is recommended that the more attention be given to the phenomenon of shareholder activism in the curricula of financial and investment management students. The next generation of business leaders, pension fund trustees, asset managers, consultants and investors need to be informed of the risks and benefits associated with this responsible investment strategy. An investigation into the nature of private engagement in South Africa would also be of great value (something similar to Becht *et al.* 2010). Research is furthermore required into the most effective means of promoting the disclosure of private and public engagements undertaken by local institutional investors. Researchers investigating the phenomenon in future should give more consideration to communication theories in the fields of media, reputation (image and identity), stakeholder relations, communication management and risk management.

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APPENDIX A: JSE-LISTED COMPANIES ENGAGED BY BOTHA OVER THE RESEARCH PERIOD

Industry	Ticker	2002	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Basic materials	ACL											3	**3**
	SAP						1	2		1	1	1	**6**
	SOL					1	1		1	3			**6**
Consumer goods	AFR				1								**1**
	ARL					1	2						**3**
	PFG									1	1		**2**
	SAB							1	1			1	**3**
	TBS				1		1	1			1		**4**
Consumer services	AVU							2	1				**3**
	JDG						2	1			2	1	**6**
	MFL					1							**1**
	PIK						1		1	1			**3**
	PWK						3	1		1	1		**6**
	RAH							1					**1**
	RTO								2				**2**
	SPG						1	2					**3**
	TMG										2	1	**3**
Financial	ADW							1					**1**
	BGA					1		2		1	1	2	**7**
	INL					1							**1**
	JSE								1				**1**
	LBH					3				1			**4**
	MAF							1					**1**
	NED					1			1				**2**
	OML							1					**1**
	SBK				1	1	1	1	1	1			**6**
	SGG	1		1									**2**
General industrials	AEG											1	**1**
	AEL						2						**2**
	BAW									1	2		**3**
	BVT			1			1	2			1		**5**

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Industry	**Ticker**	**2002**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**Total**
	DLV				1	1		1			1		**4**
	FWD									1			**1**
	NPK				2				1	1			**4**
	PPC				1	1			1				**3**
	REM						1		1				**2**
	RLO					1	3				1		**5**
	SSK											1	**1**
	TRE								1				**1**
	WBO											1	**1**
Resources	AFL		1										**1**
	AGL									3		1	**4**
	AMS						1					1	**2**
	ANG											1	**1**
	ARI											1	**1**
	GFI											1	**1**
	LON										1		**1**
	RNG		1										**1**
	SIM							1					**1**
Technology	SPO					1							**1**
Total		**1**	**2**	**2**	**7**	**14**	**21**	**21**	**13**	**16**	**15**	**17**	**129**