Shareholder Activism in the Trump Presidency: A Canary in the Coal Mine Moment for Boards and the C-Suite

By Andrew Ricci, Vice President, [LEVICK]

We're now at the point where we can count the number of weeks until Donald Trump assumes the presidency on one hand. Over the past month, since Mr. Trump's stunning upset in the Presidential race, we've gotten a lot of information about what his cabinet will look like and what his approach to economic and foreign policy will be.

Last week, CommPRO convened a panel of investment and political experts to discuss how a Trump Presidency might impact Shareholder Activism – a webinar that followed up on a pre-election discussion on the similarities that exist between an activist shareholder effort and a political campaign. I was honored to participate on both panels as a political and campaign expert and was happy to share my perspectives with those who tuned in.

Truth be told, we don’t have a lot of details on whether shareholder activism campaigns will be significantly different under a Trump administration. He will have the opportunity to appoint commissioners to the Securities and Exchange Commission (SEC), which will undoubtedly give us additional insight into his thinking on the issue when the time comes.

Through his appointments thus far, though, we do know that President-elect Trump has chosen perhaps the most business-friendly cabinet we’ve seen in recent history, with many of his agency leaders coming from the business world rather than the political one. This leaves no lack of board or C-Suite experience at the upper echelons of the federal bureaucracy.

Much was made over the course of the campaign about Mr. Trump’s relationship with billionaire investor Carl Icahn, who has made headlines for his attempts to impact companies. In the early days of the Trump transition, Mr. Icahn was allegedly in the running for the top spot at the Treasury Department or as an economic advisor in the Trump administration. Mr. Icahn however, repeatedly demurred, and though he will have no formal role, may still serve in an informal capacity. Either way, it appears that both activists and traditional board types may have a seat at the table and thus, the President’s ear.

What I think is more interesting, though, is the way that activist shareholders might emulate Mr. Trump’s methods of building a major platform and using it expertly to create influence. In past weeks, Mr. Trump has used his platform on Twitter – and the media’s fascination with every one of his tweets – to take aim at individual companies. After blasting Lockheed Martin Corp.’s fighter jet program on Twitter last Monday morning, it took less than four hours for $4 billion to be wiped off the company’s value. As of this writing, Lockheed Martin’s stock price is still down 14 points from where it was just ten days ago and still down more than 7 points from its closing price before the tweet.

President-elect Trump has also taken aim at Boeing, and it is unlikely that these two companies will be the only ones in his cross hairs. In a [POLITICO story]() after the Lockheed Martin incident, BMO Private Bank’s Chief Investment Officer Jack Ablin identified “a new type of risk, call it presidential tweet risk.” Mr. Ablin also noted that “everyone now has to keep their Twitter feed right next to their Bloomberg terminal.”

With the continued prevalence of social media sites like Twitter that give everyone a voice, it is a not-unrealistic expectation that the biggest activist investors may be able to build a platform on par with Mr. Trump’s and use it to impact share prices in the same way that the President-elect has demonstrated.

Fortunately, for companies, this is unlikely to happen overnight, but boards and C-Suites must start to account for these new types of risk in their preparations. In short, this should be a canary in the coal mine moment, and boards that ignore the present opportunity to prepare for such events open themselves to the potential for major – and lasting – damage to their companies and brands.

In the first webinar on this topic before the election, we noted the similarities between activist shareholder efforts and political campaigns. In a political campaign, challengers to an incumbent must build a platform that can compete on a level playing ground and get the message out. In this case, the incumbent tends to have an advantage through an already in-place media and messaging organization. Publicly-traded companies would be remiss to fail to build this platform, engage it regularly, and have it at the ready when the time comes. Otherwise, someone with a louder megaphone – whether the President-elect or a shareholder looking to make an impact – can easily rule the day.

About the Author: Andrew Ricci, Vice President at D.C. communications firm LEVICK. Andrew, an experienced media relations expert, content-creation specialist, and public affairs strategist, started his career working on political campaigns and on Capitol Hill, serving as a senior communications aide to Rep. Zack Space (D-Ohio) and as the Congressman's official spokesman during his reelection campaign. At LEVICK, Andrew now counsels a wide range of clients navigating reputational challenges in the public eye.