

Shareholders Activism and Its Impact on Corporate Governance Quality and Corporate Value



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This article reviews the literature on shareholders activism in public companies, and its impact on management's conduct and corporate value. Activism is mainly the province of institutional investors such as pension funds, mutual funds, and insurance companies. It includes direct appeals to the company's management and raising proposals for the annual meeting. These appeals and proposals focus on various demands, such as limiting executives' salaries, preventing mergers and acquisitions that the activists believe will hurt the company, and pressuring management to streamline and distribute free cash to shareholders. Activism may also take the form of the sale of company shares or the threat of selling them (Exit vs. Voice). Overall, the literature suggests that activism usually improves corporate governance and value.

Marketing Exclusion: When Loyalty Program Customers Feel Like Outsiders



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Loyalty programs conspicuously reward high-tier privileged customers, while denying low-tier unprivileged customers this preferential treatment. Contrary to the prevailing wisdom that unprivileged customers (non-members or low-tier members) will be motivated by observing others' preferential treatment to strive for similar benefits, we find it has the reverse effect: unprivileged customers feel excluded by the firm and consequently buy less from it, spread negative word-of-mouth about it and even behave aggressively towards other customers. Exclusion feelings arise because people are extremely sensitive to threats to their belongingness feelings, and in the case of loyalty programs – denial of preferential treatment. We term the practice of conspicuously offering preferential treatment to select customers while denying them to others – “marketing exclusion.” We demonstrate that when the customer-firm interaction is made to appear less social, by having a machine rather than a person deny preferential treatment, exclusion feelings lessen. Finally, we offer managers tactics to prevent the negative consequences of selectively awarding conspicuous preferential treatment.