Activists Are Seizing On Macro Uncertainty to Scoop Up Board Seats

Activists stayed busy in the first half of the year, focusing on small-cap companies and board changes

By Emma Sandler | August 8, 2025

Amid market volatility and economic uncertainty, the one thing boards can be certain of is that activist investors will be active.

That proved to be the case for the first half of 2025, at least. The U.S. market saw 60 campaigns during the period, in line with the 61 campaigns seen during the same period in 2024, according to a report from Barclays published in July. Notably, 2024 saw 115 U.S. campaigns overall, a 6% year-over-year increase from 2023.

In the first half of this year, activists targeted smaller market cap companies, successfully captured board seats via settlements, and gained favor from proxy advisory services. As such, boards are advised to continuously refresh their strategic plans, be proactive on shareholder engagement, and recognize that activism itself has changed, said sources.

"It's critical for companies to own their governance story year-round, not just in the face of a challenge," said **Eric Swedenburg**, head of mergers and acquisitions at **Simpson Thacher & Bartlett**. "That means proactively communicating with advisors, aligning board composition with investor expectations and demonstrating responsiveness to shareholder concerns before they escalate."

Smaller Targets and M&A

Currently, most big targets of activist investors are actually relatively small. Companies with a market cap under $5 billion made up 68% of targets, a five-year high, though the share of targets worth $10 billion and above remained consistent, the report found.

Smaller companies are more vulnerable to changes in interest rates, trade policies, tariffs and supply chain issues, opening them to criticism from activists, said sources. Additionally, newer and smaller activist firms can more readily launch a campaign with less capital at a smaller business compared to targeting a large-cap company. There were 19 "first-time" activists globally in the first half of the year, out of 84 total.

Major activists also pared back their public activity in the second quarter as they focused on executing prior-year campaigns.

"Smaller companies are sometimes more vulnerable to activist scrutiny because they may not have the same investor engagement infrastructure or activist preparedness, which could leave them open to activist campaigns," said Swedenburg.

"At the same time, volatility in the macroeconomic landscape can leave some of these businesses trading below intrinsic value, creating risk factors for opportunistic campaigns."

In this environment, boards need to ensure their strategic plan, which includes benchmarks and financial projections, is reviewed and updated every quarter, said **Sebastian Tiller**, head of the strategic mergers and acquisitions practice at **Vinson & Elkins**. A company can't defend its performance against an activist if it's not in line with projections, he added.

The other significant focus areas for activists were M&A and board changes.

M&A comprised 33% of global campaign demands in the first six months, compared to 27% in the first quarter of the year. However, it is still below the four-year average of 45%. Ahead of M&A were requests for board changes, making up 43% of campaign theses, above the four-year average of 35%.

Activist campaigns that centered on M&A include **Engine Capital**'s advocating in part for the sale of **Lyft** and **Select Equity**'s push for the sale of **Signet Jewelers**.

While economic issues like tariffs and high interest rates have made M&A more difficult for dealmakers and suppressed volumes, they have also swung the pendulum toward larger-value deals that promise more substantial payoffs for the acquirer. M&A volumes globally dropped by 9% in the first half of 2025 compared with the first half of 2024, while deal values are up 15%, according to an EY report from June.

"The more liquid the markets are, the more pressure companies will face to sell or undergo a change of control because they become more feasible," said **Matt Fox**, partner at **Benesch Law**.

"Companies need to think about that more than they would when the credit markets are dried up and no one's doing big deals."

Boards Seek Settlements

The trend toward more activist-issuer settlements continues, but this time

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The trend toward more activist-issuer settlements continues, but this time it can't be explained by the universal proxy form, which came as part of an **SEC** rule change in 2021 and allowed shareholders to mix and match director votes from both dissident and incumbent slates.

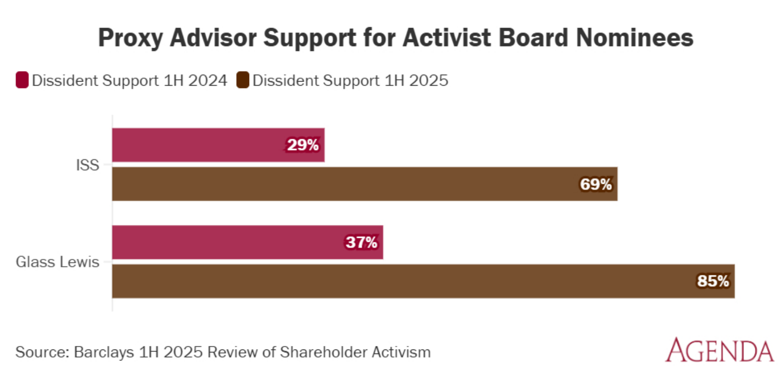
Overall, in the U.S., there have been 37 settlements to date compared to 28 during the same period last year, resulting in a 16% year-over-year growth in board seat wins (for a total of 86 seats to date). While universal proxy was at the heart of settlements last year, because it gave activist investors the ability to spotlight specific directors on a proxy card and make dissident campaigns more personal, that is not the case this year, said sources.

Instead, the rationale is that there is too much uncertainty at play to risk a full-out proxy contest, which can be laborious and expensive and can distract the board from other priorities, said sources. Additionally, there seems to be an evolving sentiment toward activists. Those who were once viewed as barbarians at the gate are now seen more like collaborators.

"What we're [seeing] is the sophistication of the activist ideas, and for companies, an uncertain environment is not desirable," said **Jim Rossman**, global head of shareholder advisory at Barclays.

"Activist campaigns and ideas have grown in sophistication over time as they've become better resourced and have access to a broader set of advisors among former CEOs and directors of public companies."

One notable area of uncertainty, aside from the economy, is proxy advisors, who more often sided with dissidents in the first half of the year. **Institutional Shareholder Services** and **Glass Lewis** supported 69% and 85%, respectively, of dissident nominees, well above the 29% and 37% respective rates in 2024.



Notably, the dissident support comes amid a backdrop of regulatory challenges and threats to proxy advisors. Earlier this month, ISS and Glass Lewis sued Texas, challenging its CHIPS law that would require the firms, whenever they provide advice on companies based in Texas, to advise solely on financial interests and publish a disclosure if ESG or diversity, equity, and inclusion concerns played a role in their recommendations. The two firms are seeking a preliminary injunction to stop the law from taking effect in September.

"I think the proxy advisors [have] not backed down from the regulatory threats," said Rossman. "They are saying, 'Hey, our job is to evaluate these campaigns, evaluate the board nominations, and make a recommendation to our shareholder base, which is the broad group of institutional investors and hedge funds.'"

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