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Is attack the best defence against activist investors? JUDGMENT CALL Four experts offer professional advice.

By ROBERT DILENSCHNEIDER, ROGER MARTIN, STEVE VARLEY and GEOFFREY VOS

Activist investors have rarely left the headlines this year in a series of campaigns for improved performance at some of the world's biggest companies. Carl Icahn recently put pressure on managers at Motorola to make good on their turnaround promises. Nelson Peltz helped push Cadbury-Schweppes into a milestone decision to split its confectionery and drinks businesses. What is the right response for managers? Should executives engage with activists, responding to criticism with strategic changes? Or is it better to mount a vigorous defence of their existing position?

THE ACADEMIC: **Roger Martin**

It depends. Management must judge quickly whether the activist's attack has some validity and engage productively, or lacks credibility and repulse aggressively.

In the former camp, my favourite is the response of GM's Rick Wagoner to Kirk Kerkorian. Rather than fight, he invited Kerkorian's lieutenant Jerome York on to the board, where he was given a fair chance to sell a superior strategy for GM to its independent board. The board rejected his proposal for a convoluted alliance with Renault-Nissan and Kerkorian retreated.

In the latter camp, when Donald Trump took a run at American Airlines in 1989, CEO Bob Crandall didn't give an inch, attacked Trump's credibility and got him to sell his several million shares and skulk away.

As for Icahn's play, it is naive to believe that, in less than two years as CEO, Ed Zander should have turned round the cell-phone mess that he inherited at Motorola, so I'd vote for repulsing - as Motorola's shareholders appear to have done on Monday.

The writer is dean of the **Rotman** School of Management at the University of Toronto

THE PR: Robert Dilenschneider

First, managers should adopt a genuine open-door policy and show a willingness to look at all reasonable proposals - no matter where they originate. They have a fiduciary responsibility to consider ideas from anyone who can demonstrably create shareholder benefit.

Second, they should conduct an aggressive communications programme to get their story out openly, fully, frequently and cogently to investors, analysts, employees, customers, suppliers and others. Much more needs to be done beyond the quarterly report, the occasional analyst meeting and usual customer outreach. Managers need to learn how to take advantage of new technologies to reach a universe of people under 35 who do not receive information in conventional ways.

Lastly, in situations like this, it is always wise to remember that angry exchanges are counter-productive. A little humility always helps.

The writer is head of the Dilenschneider Group

THE CONSULTANT: Steve Varley

Beware activists publicly bearing advice. Using the media to lobby for change is a fairly blunt device, chosen by many only as a last resort when far less dramatic avenues have been exhausted. The reality for most activist investors is that they try to influence behind closed doors. They spend time with executives, probing the rationale behind their actions. "Why are you expanding so slowly in China when your UK market is saturated?" "Where is your succession plan for top executives?"

Astute activist investors then propose alternatives and enter into a dialogue. The most powerful advice comes from those that bring together industry expertise with a consultant's mindset of creating performance improvement and a banker's acumen for money making. Their intent is solidly aligned with that of the company's leadership in the creation of sustainable and profitable growth.
The writer is European head of business advisory services at Ernst &Young

THE LAWYER: Geoffrey Vos QC
It all depends on where the chief executive is getting advice. Many chief executives, like lawyers, think they know it all: they try to second-guess accountants, actuaries and the like, then economise on their services. The smart chief executive knows precisely the kind of advice required and from whom it is needed. And it is not just professional advice. A good non-executive chairman, too, can restrain the wilder excesses of a thrusting chief executive, making sure that decisions are based on business fundamentals. He or she will know key investors, analysts and institutions, and can weigh the competing positions of the executive and the activist investor.

Chief executives should not act simply to respond to pressure. Likewise, vigorous defences are counter-productive. Outcomes speak louder than invective. It is better to procure advice, act on it and prove detractors wrong. But advisory relationships cannot be developed in a crisis. They must be in place long before the barbarians are at the door.