

# **INDIVIDUAL MINORITY SHAREHOLDER ACTIVISM APPROACHES AND THE EXIT-VOICE-LOYALTY- NEGLECT MODEL**

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## **ABSTRACT**

This study seeks to better understand engagement of individual minority shareholder activism in developing countries; in the context of this study, Malaysia. Our findings, from 15 interviews with the individual minority shareholders, suggested that the activism approaches adopted by these shareholders are carefully made based on the significant impacts they carry. Utilising the Exit-Voice-Loyalty-Neglect Model, it was discovered that both “Exit” and “Voice” were considered as the two activism approaches mainly adopted by individual minority shareholders in this study. This study provides empirical support that future studies should recognise the individual minority shareholder activism and they may adopt different approaches for such efforts as compared to other groups of shareholders. Further, this study had utilised Exit-Voice-Loyalty-Neglect Model to categorise the identified approaches and extended our understanding of how this model could be used to explain shareholder activism. The various activism approaches identified and categorised accordingly can offer insight to the corporate boards and managers on the future activism behaviour of individual shareholder and be able to offer proper response strategies to such activism approaches.

**Keywords:** Minority shareholder; Shareholder activism; Exit-Voice-Loyalty-Neglect Model; Activism approaches

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## **1. INTRODUCTION**

Despite the existence of regulatory framework on shareholder protection, debates on shareholder activism remains and is still controversial in many ways (Goranova & Ryan 2014). According to Gillan and Starks (1998), shareholder activism arises when shareholders believe that the Board of Directors has failed to perform their duties, that is, they are dissatisfied with the performance of the Board of Directors, especially in terms of the performance of the firm. Similarly, shareholders with concerns about returns on investment will question the board and seek explanation for such poor performance. On the same note, according to David, Hitt, and Gimeno (2001), shareholder

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activism is associated with dissatisfaction of the shareholders, hence draws the attention of key stakeholders to the importance of shareholder demands and the inadequacy of managerial actions.

While various corporate shareholders, ranging from individual minority shareholders to hedge fund investors have used shareholder activism to influence the organization's behaviour, individual minority shareholders activism have received far less attention, not only in practice but from academic researchers (Sikavica & Tuschke, 2012). This could be due to their relatively small shareholding, which is seen as less significant in voting, and hence less likely to have a large impact on the performance of corporations (Gillan & Starks, 2000). Although it appears that the voices of other groups of shareholders, such as institutional shareholders and hedge funds are heard more loudly, one cannot deny the important role that individual minority shareholders play in the activism process and governance of a public listed company.

In countries where individual shareholders are very much significant groups in the corporate governance agenda, like Malaysia, activism by this group of shareholders is still very much appreciated and essentially required. As inspired by Sauerwald and Peng (2013), activism movement by individual minority shareholders can uphold the formation of shareholder coalitions aspiration in the effort of minimizing the effect of principal-principle agency conflicts within companies in the emerging economies of East Asia.

With this thought, this study addresses the engagement of individual minority shareholders, and aims at complementing existing studies in shareholder activism, which have been dominated by research on institutional investors. This paper argues that different types of shareholders adopt different methods, act in a different time frame, and possess their own specific worldviews towards shareholder activism (e.g., Collis & Hartman, 2015; Gillan & Starks, 2007). For example, the indirect activism engaged by institutional shareholders is aimed at improving performance of the firm. Hedge funds, however, are more likely to seek a direct influence on managerial action (Goranova & Ryan, 2014). What is less clear is the nature of how individual minority shareholders engage with the company.

From the above arguments, it is reasonable to think that individual minority shareholders' motives may overlap, vary or differ from institutional shareholders concerning shareholder activism. As such, further investigation in finding the answer and filling the gap in the literature is worth pursuing. In this study, the activism approaches were grouped into several categories, initiated from the Exit-Voice-Loyalty-Neglect (EVLN) model of responses to dissatisfaction. Although the mainstream literature on the EVLN model are commonly found on work-related dissatisfactions and at the organizational level (e.g., Campbell, Dowding, & John, 2007; Farrell, 1983; Naus, van Itersen, & Roe, 2007; Tucker, 2010), one cannot deny the utility of the same model in the context of corporation and its associated participants, as originally suggested by Hirschman (1970).

In this study, shareholder activism denotes a series of reactions by dissatisfied shareholders (Gillan & Starks, 2007; David et al., 2001). This study argues that as remedies to such dissatisfactions, various engagement approaches are adopted and practiced by minority shareholders. When reference is made to the works on activism approaches practiced by other groups of shareholders—the institutional and hedge funds, the effort of organizing these approaches into a more structured

and dynamic way has received far less attention in previous literature. Hence, this study makes two major contributions to the field of shareholder activism. First, this study offers important insights into the types of activism approaches used by minority shareholders, which have been often neglected. This study aims to contribute to the growing literature on shareholder activism by providing a rich description of the range of available responses of activism by the individual minority shareholders. Second, the findings of this study will generate a fresh insight into how the EVLN model can be extended to the perspective of shareholder activism.

The next section provides the literature review on shareholder activism of individual minority shareholders and the EVLN model. It will then go on to discuss the data collection method used and highlight the findings and discussion of the research. This paper is then concluded in the last section.

## **2. LITERATURE REVIEW**

Proffitt and Spicer (2006) studied the roles of individuals that built and shaped the activist agenda and they too concluded that research on individual/retail minority shareholders were relatively under theorized. Extant scholarship on shareholder activism noted that shareholder activism has long been practiced ambitiously in developed countries such as the U.S. However, studies on shareholder activism in developing countries like Malaysia—which could in fact be the catalyst for greater shareholder activism in the country – are still in the infancy stage (Othman & Borges, 2015).

The term shareholder activism had been defined differently in literature. For example, Gillan and Starks (1998) defined shareholder activism as a continuum of responses to corporate performance, and later indicated it as a series of reactions by dissatisfied shareholders (Gillan & Starks, 2007). Additionally, shareholder activism is viewed as the use of ownership position to actively influence company's policies and practices (Judge, Gaur & Muller-Kahle 2010; Sjöström, 2008). In a more recent work, McNulty and Nordberg (2016) also included shareholder activism as part of their concept for active ownership. Though there is no one mutually accepted definition of shareholder activism, it is often associated with actions asserting shareholder power (Frantz & Instefjord, 2007).

In view of shareholder activism, Goranova and Ryan (2014) appreciated the heterogeneity of activism by suggesting that shareholder activism should appreciate various investor groups, such as individual investors, public pension funds, religious groups, social activists, labour union funds, and private institutions. Copious earlier and present scholar works on shareholder activism had mostly focused on the role of institutional shareholders in shareholder activism (e.g., Crespi & Renneboog, 2010; Gillan & Starks, 2003, 2000, 1998; Musa, 2012; Smith, 1996; Opler & Sokobin, 1995). In most western countries, like the U.S and the UK, hedge funds activism—the emerging activism actors—has also received serious attention by many (e.g., Becht, Franks, Grant, & Wagner, 2017; Coffee & Palia, 2014; Gantchev, 2013). Together with the institutional and hedge funds, it appears that individual shareholders (mostly the minority shareholders) also play their significant complementing role in activism.

Given the point raised by several scholars (e.g., Sikavica & Tuschke, 2012; Yeoh, 2010; Fahmi & Omar, 2005; Noe, 2002), they still believed in the significant contributions of the individual minority shareholders in shareholder activism. Compared with the individual minority shareholders, institutional shareholders and hedge funds by nature have greater voice, and work under the advice of fund managers. Therefore, it is not surprising that their activism strategies are efficiently organized, well-structured and properly planned. Accordingly, in Malaysia, the activism efforts in corporations are still dominated by the institutional and the retail or individual shareholders. This justifies the reason why individual minority shareholders in Malaysia deserve special attention by many scholars to further understand their activism behaviour, especially on the approaches adopted.

### **2.1. *The Activism Approaches***

As mentioned by Gillan and Starks (2007), shareholder activism denotes a series of reactions by dissatisfied shareholders. It was also agreed that different types of shareholders execute different forms of reactions. Admati and Pfleiderer (2009), for example, stated that when the management of a company fails to act in the best interest of the shareholders, the shareholders will sell their shares (known as the “Wall Street Rule” or “Wall Street Walk”).

Other forms of activism include negotiation with senior managers or with the boards about their concerns, with the intention of bringing about corporate change (Mallin & Melis, 2010). Similar form of shareholder activism which has gained popularity among shareholders is dialogue, a behind-the-scene type of activism that requires confidentiality (Logsdon & Van Buren, 2008; Rehbein, Logsdon & Van Buren, 2012). In addition, shareholders’ proposals have been widely employed by various activist investors, such as social groups, individuals, and institutional investors, with the intention of directing attention, raising awareness, and challenging managers to enhance their firms’ social or financial performance (Chung & Talaulicar, 2010; Dalton & Rama, 2016). Shareholders’ proposals are also thought to alert the board members about issues that deserve attention (Davis, Schoorman & Donaldson, 1997). Shareholder activism may also include letter-writing or by posting questions to corporate management or the board (Sjöström, 2008). Concerning the approaches to shareholder activism, Van de Elst (2012) on the other hand, focused on the role of general meetings of shareholders as means for shareholder activism and protection of shareholder rights.

In view of individual shareholders’ engagement with the corporations, this issue often circulates in and around general meetings (e.g., Van de Elst, 2012, 2011; Leng, Choo, Umar & Salleh, 2003). Individual minority shareholders, being the ordinary shareholders have that power to influence corporation’s decision by attending the general meetings and exercise their voting rights, proposing issue and exercising other shareholder activism’s mechanisms, such as proxy battles as one form of shareholder activism (Dalton & Rama, 2016). Although it has been acknowledged that general meetings is important, small shareholders for some reasons, were not participative in the meetings and would rather be passive (Yeoh, 2010; Guan, 2005). The same attitude for Malaysian individual minority shareholders was discovered by Leng et al. (2003) where it was identified that 50% respondents in their study indicated that they “never” and “seldom” participated during general meetings. Similarly, Omar, Ismail, and Mohd Fahmi (2005) found that minority shareholders,

including the individuals were still very much ignorant and were not aware of their roles and rights that resulted in them to be unable to appreciate the importance of attending the general meetings.

With reference to this, activism measure can further be regarded as a series of established approaches to shareholder activism. However, one that is missing from the discussion is the specific activism by the individual shareholders, including the different approaches as one of the measures of shareholder activism. The effort to identify and seek for further understanding on this phenomenon is worth pursuing. Additionally, these approaches will be commendable not only by way of their identification, but also on the effort to organize them into several categories, for ease of understanding and conveying dynamism to this research topic. Hence, inspired by this aspiration, the EVLN model was adopted to group such identified approaches.

## **2.2. *The Exit-Voice-Loyal-Neglect (EVLN) Model and Activism Approaches***

The EVLN model was originally developed from the work of Hirschman in 1970, which consists of the first three responses to dissatisfactions— exit, voice and loyalty. Later, the concept of “neglect” as the fourth response was included by Rusbult, Zembrodt, and Gunn (1982) resulting in the EVLN model. Primarily stated, Hirschman (1970) treated exit and voice as the main economic and political alternatives when firms, organizations, and states were in decline. Although Hirschman's arguments were for the organizational-level of decline behaviours at that instance, the same responses were proven to be useful in understanding how individuals may act when things are not going well (Withey & Cooper, 1989). In a study concerning employees' responds towards dissatisfaction, Farrell (1983) and Withey and Cooper (1989) found that employees could use either exit, voice, loyalty and neglect to respond to their work-related dissatisfaction.

Withey and Cooper (1989) asserted that in settings where individuals and collections of individuals do not like the way things are going, both exit and voice are two conceptually distinguishable responses that can be adopted. In contrast to exit and voice where Hirschman and others are clear on their operationalization, loyalty conflictingly received less attention and notoriously defined. Notwithstanding, Rusbult, Farrell, Rogers, and Mainous (1988) have regarded loyalty as a passive constructive behaviour, like being quietly supportive and being patient. Neglect as introduced by Rusbult et al. (1982) on the other hand, happens when the individual implicitly accepts that recovery is not going to happen, thus putting in less effort, not working at a relationship, and letting it fall apart. Succeeding the above-mentioned works, exit, voice, loyalty, and neglect (the EVLN responses) are the four ways of responding to dissatisfying situations.

In the context of corporations, however, Hirschman (1970) contemplated that the corporation was an example of a private organization in which the relation between management and stockholders was dominated by exit. The use of voice seemed to be the natural choice as soon as stockholders had complaints on the ground that the activities affect the public interest (Hirschman, 1980). In a few more recent works on EVLN and shareholders' behaviour and shareholder activism, Darja and Johansson (2009), had utilised the exit, voice and loyalty to investigate the time horizons of the institutional shareholders in the company. Further, Fox (2012) reviewed Hirschman's work and classified exit as the main mechanism economists paid attention to, with the role of voice as crucial in understanding how organizations actually worked. Drawing from the same model, Ying (2014) had examined the exit and voice mechanisms available to shareholders to monitor or discipline opportunistic management. Ferraro and Beunza (2014) on the other note, viewed dialogue, that

works in changing corporate practices, as a translation to voice mechanism. Additionally, Paces (2016) discussed the policy responses to hedge funds activism in corporate governance based on Hirschman's classic Exit, Voice and Loyalty model. In another recent study on passive investors by Appel, Gormley, and Keim (2016), it was revealed that investors might influence a firm's governance structure via their voice, which is one mechanism of the EVLN Model.

Theoretically, there are several broad theories or models concerning dissatisfaction. One eminent theory is the Herzberg's Two Factor Theory that distinguished job satisfaction from dissatisfaction. However, it was claimed that Herzberg view was too objective on work satisfaction (Lyons, 2007), which was not appreciated much in this study. In contrast to Herzberg's job dissatisfaction theory, Davis and Thompson (1994) employed social movement theory to exclusively explain shareholder activism collective action, adds insight into the process by which actors translate shared interests into collective action. Similarly, Ferraro and Beunza (2014) studied dialogue as one form of shareholders engagement, advocated that social movement to activist engagement, in terms of leveraging dialogue with the corporation. Another alternative theory that best explain the choice of action of the activist shareholders in the corporation will be the rational choice theory, which was originally introduced by Max Weber in 1920, who built an influential typology of action, which later was popularly established in sociology by George Homans in 1961 (Scott, 2000). In rational choice theory, individuals are motivated by their wants or goals which not all are achievable, so they must make choices rationally— driven by the rewards and punishment associated to such choices (Scott 2000).

Although, this study addressed the different approaches to activism, the intention was merely to identify and position such identified approaches into a more systematic arrangement. In essence, holding to such intention, this study did not take into account the social exchange element and "rational" elements in making such approaches or choices in the context of rational choice theory. Correspondingly, to fulfil the aforesaid aspiration, the EVLN model was believed to be the appropriate model to use in this study. This model was proven to explain the general responses behaviour of the shareholders, as specified earlier. Hirschman's exit, voice and loyalty model was admitted by Szabó (2009) as one of the most versatile and commonly used models.

### **3. RESEARCH METHOD AND DATA**

In this present study, the researchers strived to deepen the understanding about different activism approaches adopted by the individual minority shareholders in the public listed companies in Malaysia. It was reasoned that this effort would further enlighten corporate boards and individual minority shareholders to understand various ways of which activism can take place in the companies. This study also aimed to understand the very basic process of shareholder activism by the individual minority shareholders and sought to expose the experience and views of these study participants. Therefore, this study was exploratory in nature that adopted an interpretative or constructivist view. The philosophy of interpretivism embraced by this study allows the researchers to gather rich insights with subjective meanings, rather than providing law-like generalisations (Saunders & Tosey, 2013). In congruence with this philosophical stance, a semi-

structured interview on several selected individual minority shareholders was utilised as the main data collection tool.

A series of semi-structured interviews were conducted on 15 individual minority shareholders who owned shares in listed companies in Malaysia. These 15 participants held shares in 41 public listed companies in Malaysia. They were chosen based on four broad criteria as inferred by Steward and Cash (2008). The criteria were the level of information or expertise, availability for the interviews, willingness to participate and ability to transmit information freely and accurately. In addition to the four criteria, participants were also required to have at least investment experience of more than two years in any public companies listed on Bursa Malaysia. The call for study participants was done privately during several general meetings attended by the first researcher and the snowball sampling method was utilized.

Subsequently, consent for interviews was obtained where the arrangement of date, time and place for the interview session was mutually decided. In view of the 15 participants, for qualitative studies, debates continue on the correct sample size calculations (Dworkin, 2012). Broadly, Marshall (1996) stipulated that the sample size for a qualitative study is considered appropriate when it can adequately help the researcher answer the research questions. According to Dworkin (2012), the sample size used in qualitative research methods was often smaller than that used in quantitative research methods. Meanwhile, the sample size of a qualitative study may be determined by the saturation of the data gathered. In this regard, Guest, Bunce and Johnson (2006) who experimented data saturation in interviews, suggested that saturation occurred within the first 12 interviews. Based on all these reasons, having 15 participants was considered adequate and is said to have achieved saturation point for this study.

Face to face semi-structured interviews, aided by several technological-related tools, e.g., WhatsApp and email conversations (for further inquiry), were utilized to obtain the primary data for this study. Prior the interviews, as advocated by Creswell (2007) on the interview protocol, participants in this study were informed of the purpose of the interview, the expected time for the interview to finish, the flow such as the questioning and answering protocol, and were given the assurance that all information would be kept confidential. During the interviews, participants were asked with several open-ended questions that seek to find how many activism approaches the participants have heard and experienced, and the activism approaches/types that they have exercised.

All the interviews were voice-recorded, jotted down and transcribed accordingly. As data was derived from the transcripts of the interviews, several transcription activities had been followed carefully to ensure the validity of the data (e.g., as suggested by Gibbs, 2007; MacLean, Meyer & Estable, 2004; McLellan, MacQueen & Neidig, 2003). Data analysis was ongoing throughout the project and followed a thematic analysis approach as suggested by several experts (e.g., Creswell, 2009; Saldana, 2009; Rubin & Rubin, 2005). As the analysis progressed, the researchers sought to identify the different approaches and framed them based on the EVLN model.

#### 4. FINDINGS AND DISCUSSION

Of the approached shareholders, only 15 individual minority shareholders agreed to participate as the informants of this study. Personal information such as gender, age, race, years of investment, and employment status is summarised in Table 1.

**Table 1: Participant' Profile**

No	Gender	Age	Years of Investment	Employment Status	Race
S_1	Male	57	>23	Private Sector	Malay
S_2	Female	61	30	Public Sector	Chinese
S_3	Female	62	30	Private Sector	Chinese
S_4	Male	39	7	Private Sector	Malay
S_5	Male	62	30	Private Sector	Indian
S_6	Male	64	39	Self-employed	Indian
S_7	Male	63	15	Self-employed	Chinese
S_8	Male	46	5	Private Sector	Malay
S_9	Male	30	3	Public Sector	Malay
S_10	Male	30	2	Self-employed	Malay
S_11	Male	32	5	Self-employed	Malay
S_12	Male	64	36	Semi-retired	Chinese
S_13	Male	52	12	Self-employed	Chinese
S_14	Male	45	>10	Private Sector	Chinese
S_15	Male	47	>6	Private Sector	Indian

As far as the participants were concerned, 13 (87%) informants were male individual minority shareholders while the other 2 (13%) were female shareholders. Majority of the informants were Chinese (40%) and Malays (40%), while the remaining informants were Indians (20%) with investment experience ranging from 2 to 39 years. Moreover, 47% of the respondents worked at the private sector, 33.3% of the respondents were self-employed, 13.3% of them were working at the public sector, and only one informant was semi-retired (6.67%).

The finding as depicted in Table 2 showed that majority of the informants had taken the exit and voice mechanisms of shareholder activism. In this view, the finding showed that almost all shareholders had exited the underperformed companies by selling shares and investing in any other more promising investment portfolios. Very few participants (3 shareholders) had adopted a threat to exit as a form of activism. This finding reflected the fact that shareholders needed to possess a substantial amount of ownership to exert power over companies or to force the companies to act in a certain way by threats of exiting (Admati & Pfleiderer, 2009; Darja & Johansson, 2009). This finding was consistent with arguments made by Admati and Pfleiderer (2009), who claimed that when the companies' management deviated from their responsibility, i.e., did not act in the best interest of the shareholders, the shareholders would sell off their shares (also known as the "Wall Street Rule" or "Wall Street Walk"). Similarly, Ying (2014) considered exit being the traditional choice of shareholders in selling, which may be considered an economic solution and associated with market governance. This was similar to the exit behaviour found in the study by Rusbult, Farrell, Rogers, and Mainous (1988) and Withey and Cooper (1989) who have long noted on the influence of alternatives and the influence of such alternatives on employees' dissatisfaction. For



example, Withey and Cooper (1989) found that alternative jobs increased the exit and neglect behaviour of employees, a finding similarly supported by Rusbult et al. (1988) who found that better alternatives increased exit and voice of the respondents.

**Table 2: Activism Approaches and Exit, Voice, Loyalty and Neglect Model**

No.	Approaches*			
	Exit	Voice	Loyalty	Neglect
S_1	1	3,4, 17	-	-
S_2	-	-	5, 6	-
S_3	1	3,4	-	-
S_4	1	3,7, 17,18	-	-
S_5	1,2	7,18	-	-
S_6	1,2	3,7, 17	5,6	-
S_7	1,2	-	-	13,14
S_8	1	-	-	13,14
S_9	1	-	-	13,14
S_10	1	-	-	15
S_11	1	8	11	12, 15
S_12	-	3	-	-
S_13	1	3,7,9,17,18	11	-
S_14	1	-	-	-
S_15	-	3	-	-

\*Note: S=Individual shareholders

- |   |                              |
|---|------------------------------|
| 1.Selling shares                        | 10. Negotiation              |
| 2.Threat to exit                        | 11. Silently monitor         |
| 3.Post questions during general meeting | 12. Less effort              |
| 4.Shareholders proposal                 | 13. Not attending            |
| 5.Supportive                            | 14. Ignore                   |
| 6. Patience                             | 15. Think engagement useless |
| 7.Letter writing                        | 16. Viral via Facebook       |
| 8.Face-to-face talk with management     | 17. Email                    |
| 9.Private dialogue                      | 18. Phone calls              |

In the context of this study, the availability of alternative, healthier investment counters invited the exit behaviour to secure individual minority shareholders returns and reduced investment-associated risks. If the shareholders remained and did not exit by selling their shares, there was a high possibility that they would lose their invested money. As stated by several participants, for example, “..if I do not agree with the company policy, I can always sell my shares” [S\_14]; “...let say they are really not professional in answering out questions, probably I will make decision to sell of the share” [S\_1]; “..I will sell shares depending on the situation of the company” [S\_4].

Other than selling shares, voice—the less extreme response—yet eminently adopted, was another mechanism adopted by the individual minority shareholders to portray their activism or engagement with the company. Davis and Thompson (1994) advocated that when shareholders faced with such a high cost of exit, voice as a shareholder activism tool became more appealing. From shareholder activism setting, letter-writing or posting questions to corporate management or the board (Sjöström, 2008); exercising rights at the AGM (Van der Elst, 2012; 2014); posting

shareholders' proposals (Chung & Talaulicar, 2010; Davis et al., 1997); negotiations (Mallin & Melis, 2010); dialogues (Logsdon & Van Buren, 2008; Rehbein et al., 2012) were instances of the voice mechanisms. These works in the literature, however, were rather mixed in explaining the activism of the individual minority shareholders. This highlights the need of additional findings to explain the involvement of individual minority shareholders, in view of the various approaches adopted (e.g., as listed in Table 2), where the individual shareholders are still one of the important group of shareholders in the Malaysian equity market.

Correspondingly, based on the finding in Table 2, it was discovered that the individual shareholders' voice-associated activisms in this study were mostly similar to these of previous studies. Most of the individual shareholders attended, posted some questions and in fact some had even proposed the shareholders' proposals for the general meetings, letter writings, had face-to-face discussions with the management, were involved in private dialogues organised by the company, attended negotiation occasions with the company, and had utilised technology to voice their opinion, via Facebook, email and telephone calls. In light of voice as one prominent formula of activism, Ying (2014) justified that statutory derivative action and modern technology had enhanced the shareholders' voice mechanism in Malaysia. Several statements from a few participants exemplified the voice mechanism in this study, for instance, *"...not only attending meeting, but put questions ...asking questions on the bottom line of the companies. Ask the director what they are doing. Some companies have given dialogue platform. I did attend. The dialogue just to get some point, get ideas. Not for everybody, only those key, brilliant, they have something on mind, to give input..."* [S\_6]; *"...some companies are very transparent. Even in the AGMs, there are a lot of dialogues..."* [S\_5]; *"...other methods adopted is by email and viral the news via Facebook"* [S\_4].

From the above findings, it is seen that in the event of dissatisfaction or in the effort of bringing issues requiring shareholders' engagement, both exit and voice were considered as the two main mechanisms adopted by the participated individual minority shareholders in this study. However, one cannot disregard the fact that these shareholders also demanded the management to improve the situation— by being loyal, rather than exiting from the situation. These shareholders held to a regime where they chose to silently monitor the companies' performance and hoped for an improvement in the situation. For example, one of the participants alleged that the reason he stayed loyal was because of his trust with the management of the family-owned companies. He said, *"...family-owned company's management will not jeopardise the shareholders, as the benefits or failures will affect them as well...so I just believe in them, silently monitor..."*[S\_11]. As Rusbult et al. (1988) regarded loyalty as a passive constructive behaviour, some of the shareholders in this study were supportive and patiently waited for the situation to improve.

A few participants in this study had indicated that they *"...believe in the fundamental potential of the company"...* [S\_6]; *"...will stay loyal with the company with good shares"* [S\_12]. One female participant also said *"...there have been certain counters I have suffered losses, still hold the share until the company does something about it, so I just keep it there"* [S\_3]. In this instance, one can conclude that the reason she remained loyal to the investee companies was due to losses suffered should she sell the shares at the current rate. Therefore, instead of incurring losses if she sold the shares, the investor decided to keep the shares. In this view, one of the participants also said that

*“...I still the keep some of the shares because the current price is lower than I bought previously..”* [S\_6]. In the context of shareholders and company’s performance with shareholder activism, in the situation where the share price drops or when the company is facing several contentious situations, shareholders who are loyal will not hurriedly exiting themselves by selling the shares. This form of calm reaction is driven by the fact that these shareholders are long-oriented and have fundamentally analysed the strength of the company, thus any slight problem will not grab away their loyalty to stay behind the company.

However, some shareholders in this study had also put fewer efforts to help the company improve by not engaging in any form of activism. In this sense, they were adopting the “neglect” mechanism by discounting the importance of general meetings, by way of not attending, not voting and not appointing proxies to act on their behalf. This neglect response happened because they perceived engagement as impractical and paid no attention to the significant impact of such engagement to both sides—the shareholders and the company. In summary, the findings of the various approaches adopted by the 15 individual minority shareholders for this study can be categorised further as per Table 3.

From this Table 3, there were 18 categories of approaches identified. From these approaches, it can be concluded that majority of the participants in this study had adopted a comparable activism approaches as practiced by other significant shareholders—the institutional and hedge funds. Some approaches were rather generic and universal in nature irrespective of who initiated them. In contrast, it was interesting to highlight from this study that the activism approaches adopted by these individual shareholders were carefully made based on the significant impact they carried. This significant impact rooted from their ownership landscape, where the shareholding is relatively small, which is seen as less significant in voting and is less likely to have a large impact on the performance of the corporations (Gillan & Starks 2000).

Subsequently, we can fairly say that the activism approaches adopted by individual minority shareholders in this study reflects such imperative impact, thus selling shares to avoid losses and voicing their dissatisfaction were found to be the commonly adopted activism approaches. Some findings were found to be consistent with prior studies on institutional shareholder activism. For instance, Admati and Pfleiderer (2009) claimed that when company management deviated from their responsibility, that is, did not act in the best interest of the shareholders, the shareholders would then sell their shares. Similarly, Ying (2014) considered exit being the traditional choice of shareholders in selling, which could be the mechanism seen as an economic solution and usually associated with market governance.

In light of this exit behaviour, regardless of the types of shareholders, selling or exiting can be considered a generic activism approach. For voice, reflecting prior studies, a number of literature works (e.g., Chung & Talaulicar, 2010; Logsdon & Van Buren, 2008; Sjöström, 2008; Van der Elst, 2011, 2014; Villiers & Staden, 2012) have showcased the various voice-related activism approaches. However, they were rather mixed in explaining the activism of the individual minority shareholders.

**Table 3: Categories of Activism Approaches Based on Exit, Voice, Loyalty and Neglect Model**

<b>Exit</b>	<b>Voice</b>	<b>Loyalty</b>	<b>Neglect</b>
Sell shares	Post questions during general meetings	Supportive	Not attending
Exit threat	Post shareholders' proposal Letter writing Private dialogue Face-to-face talk with management Negotiation occasion Email Phone calls to officer Social media aid	Patiently wait Silent	Ignore Less effort to engage Thoughtless

This study found that just like other shareholders, individual shareholders engaged with the companies using similar platforms, including traditional approaches such as attending and speaking at general meetings, letter writing, phone calls, email, and face-to-face discussions. One unanticipated finding was that apart from these traditional approaches, individual minority shareholders now utilised social media as a channel of activism. And this form of activism is expected to be heavily utilised as a platform of engagement with the company by individual minority shareholders in the future. The results of this study also revealed that the individual shareholders in this study desired the management to improve the situation— by being loyal, supportive and patient with the management. This finding confirms that the neglect-related approaches and loyalty were adopted as part of the activism approaches by the individual minority shareholders. Overall, from the findings, the various activism approaches adopted by individual minority shareholders were identified and organized into several categories, thereby providing the empirical evidence of the EVLN categories used by the minority shareholders. In addition, this effort had further extended the utilisation of the EVLN model to the context of shareholder activism. From a practical point of view, this study enables companies and the regulatory bodies to anticipate the activism behaviour of the individual minority shareholders and helps companies to mitigate any struggling or conflicting issues and circumstances. The ability to anticipate such behaviour will enable future solutions to conflicts and attain an agreement between the shareholders and the board of directors.

## 5. CONCLUSION

In the context of shareholder activism, exiting by means of selling shares to express shareholders' dissatisfaction against the company's performance is considered as the traditional choice response. The exit mechanism seems to be less effective when the size of the shareholding involved was small as the case for individual minority shareholders. However, if exit option was exercised by the major or substantial shareholders, then exit may greatly influence the boards' action and such exit, if happens, will be regarded as a sign of problems in the company. In the Malaysian context, Ying (2014) concluded that Malaysian public companies tended to place more emphasis on voice mechanism than the exit. Each one of the mechanisms in the EVLN model has its own function

and as such has the ability to control the behaviour of the company's management. All shareholders should realise on the power they have as the principal of the company, and should act and exercise their rights accordingly. Sadly, many individual minority shareholders do not seem to realise that they have the power to influence and change the behaviour of the organizations they invest in, by merely adopting the appropriate activism approach. Individual minority shareholders have to realise that they are, as mentioned by Guan (2005), the largest group of shareholders and as such should be the most active participants in any public listed corporations.

The insufficiency of research in understanding the activism by the individual minority shareholders in Malaysia is very much apparent. Hence, a study on exploring how the individual shareholders involve in any activism, either such acts of activism are categorised under exit, voice, loyalty or neglect mechanisms is crucial. So there is a need for more research in this area of studies. However, this study is not free from its limitations. The first limitation for this study is in terms of the sample size. Majority of the participants for this study were male minority shareholders. This study only had two female shareholders as respondents. Activism approaches may vary between males and females, since it has been found that gender differences are reflected in activism in many ways (Kuumba, 2002). The study also did not consider the effect of ownership structure, such as family and non-family, state owned, or government linked corporations as one of its main factors influencing shareholder activism. Prior studies have shown that ownership structure affects shareholder activism because, the supremacy in voting, control, and independency would differ and were unique among the three types of structures (Ibrahim & Samad, 2010). Thomas and Cotter (2007) also asserted that ownership structure has been shown to affect levels of support for shareholders proposals, which was one form of activism. Future studies can consider including shareholders from different gender, who had different investment experiences and investment strategies so that comparison of findings can be done. A comparative analysis between different categories of shareholders would make the findings richer, robust and more representative.

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