Shareholder activism is a fact of corporate life. *The Economist* recently reported that one in seven S&P 500 companies has been the subject of an activist attack since 2010. Hedge fund managers recognize that exerting pressure on corporations can be lucrative; a JPMorgan report notes that, in 2015, over ten activist funds each managed more than $10 billion.

The topic remains controversial and attracts extensive media coverage. Often the contest between activists and their targets is framed as a struggle between evil and good. In the 1980s, activists were viewed as destructive predators. Today, however, influenced by research that has revealed an increase in shareholder value after an activist has intervened, activists are often viewed by shareholders in a much more favorable light.

In terms of geography, 41% of today's activist hedge funds concentrate their attacks on North America, 32% have a more global focus others focus on specific regions: 15% in Asia, 8% in Europe and 4% in other world regions. Leading American corporations such as Xerox, Yahoo and Viacom are currently the subject of activist interest.

Companies, regardless of their location, must respond to investor activism with a coherent strategy. In the event of an attack, the following actions worth considering:

Assess the threat. Analyze the activist's demands and try to establish his true motives, priorities and potential vulnerabilities. Research his past battles and execution track record. Determine whether he has made the required regulatory filings, and assess the length of time he has held shares to determine his eligibility to submit resolutions for shareholders to consider. Evaluate whether current shareholders will support the activist.

An effective defense requires a comprehensive rebuttal. Establish an internal task force with members of the executive management team and appoint external financial, legal and communications counsel to help define an engagement strategy. Work with the advisory team to develop messaging and counter-arguments, and make sure they are supported by research and data. Make sure that your independent directors are kept informed. Act and communicate in a rational, resolute and upbeat manner.

Brief stakeholders, regulators and the media. Deliver your core messages and counter-arguments clearly and concisely. The timing of your communications is particularly important in the lead up to a shareholder vote.

Recognize that the activist will aggressively brief against you and that shareholders can be profoundly influenced by hyperbolic rhetoric.

Track developments carefully and carefully consider the implications of granting the activist concessions.

Throughout, remember that executive officers of public companies exert influence, but the independent directors are stewards of the company's equity, and have a fiduciary responsibility to act in the shareholders' best interests.