

Gramm, Jeff – Dear ChairmanHarper Business, 2016, *[Equity Investing]* Grade ★★★★★

Activist investors create headlines in the business media. With their aggressive stile they fit the dramaturgy of media as a glove – the battling of huge egos sells newspapers. But what is the historic background to today's high profile characters like Christer Gardell, Bill Ackman and Dan Loeb? In his book *Dear Chairman* the hedge fund manager and adjunct Columbia professor, Jeff Gramm, tells the tale of shareholder activism.

Activists buy shares in companies and through engaging with the board they try to create an event that unlocks value for the shareholders. The story of the dreaded activists is told through 8 case studies dating from 1927 when a young and polite Ben Graham convinces John D. Rockefeller Jr. and Northern Pipeline to distribute excess capital all the way to the aggressive attacks of 2005 and the fight about BKF Capital.

In the US the governance system gives a huge amount of power to the often-combined president and CEO. For long shareholder rights were very low on the agenda. The early proxyteers who engaged in proxy fights in the 1950s and corporate raiders of the 1980s like Carl Icahn and T. Boone Pickens - funded by Michael Milken's junk bonds - shook up what was often a quite sleepy and inefficient business community paving the way for today's activists. The relationship between CEOs and the owners of companies surely got more complicated but the efficiency in the business sector improved greatly as boards couldn't sleep on their watch anymore.

In some respect this is three books in one; a number of historic case studies accompanied by the original letters, Gramm's opinions on governance and ownership and a broader historic account of shareholder activism where the author uses the case studies as a starting point but branches out in various directions describing a number of other shareholder controversies.

Over time activist investors have reacted to very much the same issues as they do today. They try to replace underperforming management teams, crack down on corporate wastefulness, restructure poor business portfolios and get access to excess cash piling up in companies. Reading history adds to the understanding of an area since it gives context to today's practices. Current practices have often been formed through a much more hap-hazardous and random process than is generally assumed – so also in the world of activism.

The title is brilliant and in my view this is a very good-looking book. The language is surprisingly legible and it is obvious that the author knows and really likes the subject. I very much appreciate that Gramm is honest enough to both present cases where activists do long term good for all shareholders by confronting adverse practices by poor corporate executives but also displays cases where the activist in reality was more engaged in a smash and grab heist to the detriment of long term shareholder value.

However, I'm afraid that I found the book too lightweight. It added historic background but I didn't learn much new about activism per se – there simply isn't much detail. The triple theme of the case studies, the telling of a broader story of the shareholder activists and Gramm arguing the case for the good of activism in the end becomes too fragmented – especially as some case stories are described very briefly and more function as an excuse to tell a story of something else. No doubt some of the original letters are quite amazing but I would personally have preferred either a straight chronological historic account with a both deeper and broader scope or a fact based primer on shareholder activism. I'm sure the author could write both with flying colors.

Read this for a pleasant and amiable account of financial history. You will have a good time but perhaps not come out that much wiser.

Mats Larsson, November 27, 2016