ABSTRACT

The purpose of this study is to evaluate and analyse the effect of Public Investment Corporation's (PIC) shareholder activism on firm performance in South Africa. This includes evaluating and assessing the effect of PIC's corporate governance recommendations on firm performance and thus evaluating the effect of their shareholder activism.

The desktop study of annual reports for the period 2004 and 2007 of the top 36 listed companies in which PIC has shareholding was undertaken. The five point scale was used to score the performance of each company on the following five key elements of good corporate governance: Board Commitment, Good Board Practices, Effective Controls, Transparent Disclosure and Protection of minority shareholder rights. The corporate governance scorecards and Tobin's Q were developed for these 36 companies.

The questionnaires were also developed for the leadership of Institute of Directors of Southern Africa (IoD) and PIC. The results were statistically analysed using Descriptive Statistics, Categorical Regression Analysis, Factor Analysis and Reliability Analysis.

The study has revealed that good corporate governance does not necessarily translate to good firm performance. This is demonstrated by negative correlation between Tobin's Q and the corporate governance scorecards based on PIC recommendations.

There is insufficient information in South Africa to demonstrate the effect of shareholder activism on firm performance. The role of shareholder activism gets clouded with that of transformation activism.