

# THE WALL STREET JOURNAL.

Former rivals team up to provide global solutions for companies dealing with activist investors

By  
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May 11, 2016 12:00 a.m. ET

A London firm that advises companies on shareholder votes acquired a U.S. competitor as it seeks to capitalize on the expanding reach of activist investors.

Sodali Inc. has bought New York rival Morrow & Co., giving the firm a foothold in the U.S., a team of proxy solicitors, and a roster of clients that includes [General Electric Co.](#), Goldman Sachs Group Inc. and [Boeing Co.](#), the closely held companies said. Terms weren't disclosed.

The combined company will be named Morrow Sodali Global LLC.

Firms like Morrow and Sodali -- which counts Europe's [Vivendi SA](#), [Renault SA](#) and [Repsol SA](#) among its clients -- help companies write proxy statements, the annual disclosure forms detailing executive compensation and other matters shareholders weigh in on, and count votes. In fights with activists, the firms solicit votes and advise on messaging.

Pressure from shareholders on a variety of issues -- a movement spurred by activists and fueled by big institutional investors -- has increased the importance of such campaigning and made it a year-round process.

Directors used to focus on reviewing corporate strategy. Today, shareholders demand more interaction with them to gauge how they are making decisions and overseeing management. Annual meetings are often the focal point of such interaction.

"There is no such thing as a routine annual shareholder meeting anymore," Sodali Chairman John Wilcox said in an interview. "It should be and is, from the point of view of shareholders, a showcase for the board of directors instead of just a get-together."

But the rules of play are different in every country, and cross-border share ownership adds another layer of complication.

For instance, companies in Europe may not fully grasp the expectations of their U.S. investors, while U.S. shareholders may not be familiar with the intricacies of, say, Italian corporate governance. Those dynamics led Sodali to seek a U.S. firm to buy, allowing it to export experience that would be hard to build, Mr. Wilcox said.

“It’s pretty clear that the market is truly global these days, both for listed companies and the institutional investors who own them,” he said. “That’s been a challenge for these companies.”

Europe has long been viewed as the next target for U.S.-style activism. Some activism has also spread to Japan in recent years, but the U.S. remains the hotbed. Sodali’s interest in Morrow signals a belief that the brasher tactics of U.S. hedge funds will spread across the Atlantic, and that they are here to stay in the U.S.

Many U.S. proxy firms and others, including investment banks and law firms, have been preparing for the spread of activism too, so Morrow Sodali won’t be alone.