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A Stakeholder's Dilemma: Turning it Around

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The term "stakeholder" is often used to cover a range of individuals from employees to customers. Indeed, in the current sense it includes vague groups impacted by the environmental footprint of a company's operations, supply and delivery chains.

But when it comes to stakeholders, investors and creditors (along with employees) are in a special class when it comes to the success or failure of a company: there are direct financial consequences. These two groups are stakeholders in the success of a company in the truest sense.

One of the most delicate actions that investors or creditors can undertake is to force change in a company in which they have an interest. Much like the Hippocratic Corpus the watchwords are "first do no harm."

The litany of reasons for why these stakeholders take action are legion but generally speaking creditor induced engagements are typically more straight forward at their root: the inability or projected inability to service the debt.

The investor-based side includes substantially more variety and is not uncommon even in profitable corporations and can be driven by differences in strategy, growth rate or new market opportunity as viewed by the Board. Sadly, personal & ego-based scenarios can occur when major investors sit on the Board.

The outright replacement of CEO and other senior management is at the extreme of stakeholders taking action. Ironically, this normally takes the least diplomacy particularly in large corporations. The larger the corporation the greater the momentum in the current operational vectors, buying time for new CEO to evaluate and then place her or his stamp on the organization.

Things get more difficult for stakeholders with medium and smaller sized companies. The dilemmas for stakeholders tend to arise in the less Darwinian situations where stakeholders need to help the organization and its current management get on a better path to success.

This can be the result of a variety of situations, alone or in combination. Changing market conditions which current management lacks the experience and insight to address; the entry of new competitors; new technology in the market requiring a fundamental change in strategy; overall economic downturns; or the inability to effectively execute in marketing or business development can all come into play to name just a few.

In many cases individuals who may be great at company or product creation are not well attuned to operational management as the company grows, are emotional unsuited to taking personnel actions required or lack depth of understanding of what it takes to create a unique differentiated brand or market position.

These situations, which often from a stakeholder's perspective are considered Workouts or Turn-arounds, normally require far more than the simple restructuring of debt and OPEX. The dilemma becomes "how can we help the company and its management succeed without breaking the organization."

This is where the careful selection of a consultancy or advisory services can be of benefit both from the expertise provided and in minimizing the perceived threat to the senior management of the company. In turning the company around it is about "fix it, don't break it" and "first do no harm."

The first step for stakeholders often is to align with the consultancy with the goals, as they see it, of what is the need. Operational optimization? New Marketing Strategy? Evaluation of talent gaps and skills? New product or service definition?

Many times the stakeholder view is different than the view of company management in either broad sweep or in detail. Therein often lies the risk to the process. A relationship of personal trust must be established between the consultancy and management.

Consultancies that typically deal with large corporations can bring in a standard "playbook" which is both off putting and less than optimal when applied to medium and smaller companies. The dynamic is different in these smaller companies and often more personal. Hence the second step is establishing the relationship between the consultant and management outside of the stakeholders. Delicacy, sensitivity and diplomacy are paramount here.

Once trust is established, the vectors for engagement can then be played out. These vectors may range from ad hoc projects in business strategy, to corporate development, to marketing, to branding to channel creation to manufacturing and even engineering. Beyond the ad hoc programs, there are interim management engagements where the advisor functions under retainer or contract in a specific senior management role.

Each organization is unique and the use of advisory services and consultancies can be one path by which stakeholders are able to ensure a company's future success, protect their own financial interests and address the stakeholders dilemma of how to "first do no harm."

About Allawos and Company, LLC

Allawos & Company is a global business-consulting firm helping organizations and corporations around the world identify their opportunities through creative strategic thinking and team building. Whether in business development, strategic alliances, diplomatic assistance, quality issues, manufacturing support or optimization, our team is focused on client-specific value creation.

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