Allawos & Company, LLC

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May 1, 2013

Situational Awareness in a High Flux World

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The internal and external factors that affect organizational effectiveness are in high flux today. From the global macro-economic context to the determination of the best use of capital and even the organizational optimization of a company's resources, rarely have we seen such a high rate of change in the factors that must be considered to make good decisions.

Worse yet for senior management and stakeholders such as investors and creditors there is a high level of noise resulting in low "signal fidelity" in the information on which decisions are made.

Situational awareness is poor with an increased rate of change.

This is a broad area but one of the common themes is the impact of decades of thinning of organizations' personnel with the expertise needed to provide informed analysis and guidance.

Within companies, under years of reduced staffing policies, there can be a lack of feedback-loops that result in lost opportunities and institutionalization of a reactive rather than a proactive culture.

Those that are outward facing towards customers and addressable markets often fail to have formalized processes to provide the C-level and operations functions with timely feedback in a changing environment. Where such processes exist they are often based on quarterly or semi-annual reviews, at best, which are out of touch with the rate of change in current market dynamics.

These are deep organizational and process flaws in most companies today. Strictly internally staffed projects to fix this generally fail due to long established behaviors, distrust between functions and outright fear of change.

Bringing in outsiders to facilitate and guide the process is often required. But in doing so the advisors must have credibility and the ability to create trust. This demands an advisors with C-level management and corporate governance experience in their own right.

Sadly, many consultancies today try and provide such a service with junior consultants adept at providing recommendation documents that are rarely implemented. To be successful the process needs to be hands-on and not based on a one size fits all boilerplate.

The stakeholder side of investors and creditors is in no less in a difficult time in protecting their interests in this dynamic world.

The traditional approach for investors of significance is to hold a seat on the Board of the company. For large corporations the investment firm often has expertise in the industry in which the company is engaged. However, as one moves to mid-sized and smaller companies this becomes less so. It is common to find investors that have backgrounds in, say, real estate sitting on Boards of tech-based companies that make it far from optimal in representing their own interests.

In the attempt to adjust to a high flux world there are more frequent Board/committee meetings. This is no substitute for investors retaining advisors with expertise in the company's industry.

When it comes to outside stakeholders, the creditor side is in the most difficult situation, the most worthy of sympathy and the most likely to be blindsided by reversals in a company's position especially with medium and small companies.

Like corporations generally, the loan and credit providing companies such as banks have been decimated in terms of staffing. Previously banks in particular were well staffed with veterans of the industries in which they made loans and indeed further served their clients with advisory services specific to their operations and industry.

With thin staffs these creditors are in the double bind of not having frequent enough contact with their clients to allow them to anticipate an increase in capital risk but also lack in many cases specific industry knowledge to advise their debtors. This understandably further exacerbates risk-avoidance behavior by creditors.

This is particularly the case where the debtors are mid-sized or small companies with a hi-tech footprint.   In these rapidly changing markets, risk analysis based on cash flows, balance sheets and asset assessments are often a look into the past, not the present.

One path for creditors to increase the security of their portfolios and expand their footprints into high-flux segments is to retain external advisory services from those that have expertise in these industries. These services can be used to provide insight into potential clients, to provide creditor oversight with existing clients and indeed engage in direct client intervention in turnarounds and workouts.

This serves in providing reduced portfolio risk and importantly current and forward-looking evaluations that have real value. Done right it can improve debtor execution and growth and provide a very positive ROI for the creditors while solidifying a long-term relationship.

In a high flux world these advisors can be a key enabler in optimizing the creditor's portfolio.

About Allawos and Company, LLC

Allawos & Company is a comprehensive global business-consulting firm tuned to enable organizations identify and exploit opportunities through creative engagement built on a foundation of decades of senior management experience.

Whether in corporate development, strategic planning, alliances, market development, diplomatic engagement or manufacturing optimization, our team is focused on client-specific value creation.

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