

AlixPartners
Disruption
Insights

PURPOSE
DRIVES
PRIORITIES:

Stakeholder management in
a COVID-19 disrupted world

When it really matters.

We are headed into a winter of extreme uncertainty, both from a public health and an economic perspective, which will challenge leaders, operating models, and business planning for months to come.

When publishing our views on the impact of COVID-19 earlier this year, we introduced a framework for stakeholder management in this disrupted world that has proven to be very effective as a strategic lens on the situation. Faced with an uncertain and fluid environment, it is imperative for executives to take stock of where they are. Then they can understand the expectations of critical stakeholders during each phase of the crisis and their goals for the return to a new, stabilized normal.

STAKEHOLDER MANAGEMENT IN A COVID-19 DISRUPTED WORLD

	SOCIETY	INVESTORS	SUPPLY CHAIN	CUSTOMERS	EMPLOYEES
STAGE 1	<p>RESPONSIBLE:</p> <p>The company is viewed as doing the right thing without regard for financial consequences. They put health, safety, and social responsibility above other considerations.</p>	<p>VIALE:</p> <p>The company will not default; it has taken steps to maximize liquidity and has alternatives to call upon if needed.</p>	<p>FUNCTIONAL:</p> <p>The Supply Chain is working. Products and services are available (almost) regardless of cost, using extraordinary measures (air shipments, repositioning inventory, etc.) if required.</p>	<p>SAFE AND AVAILABLE:</p> <p>Customers feel safe availing themselves of a good or service. They do not feel at risk in a physical environment, and they feel that their data and financial information is secure when transacting in a remote environment.</p>	<p>SAFE AND CARING:</p> <p>The company is seen as concerned about health, diversity, and well being and is taking care of its people.</p>
STAGE 2	<p>COMMITTED:</p> <p>The company is viewed as serving employees, customers, and other stakeholders in a balanced and thoughtful way. It considers the complex and often conflicting obligations it has and demonstrably seeks to strike the best balance possible.</p>	<p>STABLE:</p> <p>The cash crisis has passed. The company has sufficient cash flow, can meet its obligations, and if stressed by unforeseen challenges, can react quickly with options. The company is positioned to take market share.</p>	<p>RELIABLE:</p> <p>Goods and services are available when and where customers want or need them on a consistent basis and without extraordinary or heroic measures. Customers and suppliers do not need to be concerned and their trust is reflected in sales.</p>	<p>RELEVANT AND NEEDED:</p> <p>Now that the "newness" of the situation has worn off, the product or service is a part of the normal course of customers' daily habits. If it was part of their lives pre-COVID, it still is. If COVID caused a customer to trial the good or service, it has now moved into their normal.</p>	<p>PROACTIVE AND CREATIVE:</p> <p>The company is leading and influencing direction, not just reacting to outside factors.</p>
STAGE 3	<p>LEADING:</p> <p>The company is seen as a positive change agent. It is recognized as a voice of reason and wisdom in guiding positive change in its industry, wider commerce, and the world at large. Seen as promoting social cohesion and reducing societal inequalities.</p>	<p>OPTIMIZED AND FLEXIBLE:</p> <p>The company has driven its cost of capital down to appropriate levels while having a plan for best, most likely, and worst-case scenarios. It has explained this to all appropriate parties and inspired confidence. It has articulated a growth plan that is logical and supported.</p>	<p>ADAPTABLE AND REDUNDANT</p> <p>There is a viable plan for key things that could go wrong, such as the unexpected shutdown of a location or a key supplier. While this flexibility has a price, the supply chain is lowest appropriate cost, adjusting for risk.</p>	<p>VALUABLE AND ALIGNED:</p> <p>The confidence crisis has passed, and customers have choices. But they do not exercise them because they view the product or service, and the company providing it, as part of a valued relationship.</p>	<p>EXCITING AND GROWING:</p> <p>The company is positioned to grow and prosper. Its people feel secure in their roles, and personal prospects are bright.</p>

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Over a series of articles, we are going to look at each of these stakeholder groups, in turn, and suggest a structure for guiding decision making.

Of all the various stakeholder groups, the first column – society – is a particularly tricky one for executives and boards. What are a company's responsibilities to society as a whole? What is our broader purpose? How do our personal values factor into setting priorities?

This year has brought these issues into acute focus, as the uneven impact of COVID-19 has been experienced across geographic, economic, and racial lines, and amplified demands for social justice and an end to systemic inequalities have made the need for corporate introspection even more urgent.

In January, Larry Fink, CEO of Blackrock, the world's largest asset manager, raised the bar on sustainable and inclusive capitalism when he established that a necessary investment criteria for his company going forward will be how companies perform on a series of Environmental, Social, and Governance (ESG) metrics, from labor practices to data privacy to business ethics to climate risk. In his view, those companies that will provide outsize returns to their shareholders over the long-term will be those that serve the interests of their broader stakeholder groups.

Effectively, Blackrock has said that there is a false dichotomy between shareholder returns and stakeholder management. While we agree in principle, priorities must inevitably be set when allocating limited resources, and setting these priorities is only possible when grounded in corporate purpose. What value does your company's products or services provide to the world? Beyond profit, what is your reason for being in business? The answer will obviously be different for every company. But using purpose as your lodestar, you can begin to orient your company to what is important for your employees, your customers, the communities in which you operate, and ultimately your shareholders.

Setting these priorities, and staying true to them, in the midst of a global pandemic, is obviously a significant challenge. At many companies, budgets are being cut just as the needs within our communities are growing ever higher. During this period, keeping a focus on the long-term is essential.

For AlixPartners, our purpose is to assist our clients in successfully responding to their most complex and critical challenges, when it really matters. Being able to quickly deploy the right people with the right skillsets is essential to delivering on this promise. If we are not a best place to work that recruits and retains the best people, then we cannot succeed in this mission.

This is why building a diverse workforce with an inclusive and welcoming culture is an essential priority for our firm. Our industry has not always successfully lived up to this standard, but both our clients and our employees demand it of us. And we know that diverse teams provide superior client results.

If diversity and inclusion is our primary focus in ESG matters, companies in other industries have other priorities based on their own corporate purpose. BP is truly repositioning "beyond petroleum" to become an integrated energy company that will cut oil production by 40% over the next decade and reach net-zero emissions by 2050.

Nike, in choosing to affiliate itself with Colin Kaepernick in 2018, clearly recognized that its purpose doesn't lie simply in its role as athletic apparel manufacturer. Nike is a lifestyle brand, which necessitated it taking a position on those social justice issues for which Kaepernick had become a leading voice. This decision may have cost Nike some customers at the time (its stock fell 3% when the deal was announced), but ultimately the company has been proven right both commercially and ethically. Following Black Lives Matter protests this year, NFL Commissioner Roger Goodell said that he wishes he'd "listened earlier" to Kaepernick.

These are companies that are choosing to disrupt themselves to promote broader societal goals, whether on matters of climate change or social equity. Demonstrating such leadership is essential in a world in which consumers, investors, regulators, and the world at large demands more from businesses. And what does business get in return?

With the right focus and determination, Ana Botin, executive chair of Banco Santander, has described the end goal as building trust with the broader communities in which you operate: "Trust is not a nice to have for a profitable business. Trust determines whether you have a profitable business to run."

As for AlixPartners, as we reflected on Blackrock's ESG questionnaire this year, we feel stronger as a result of the progress we've made over the past few years and recognize that there is still further to go in our journey. Keeping our eyes on our broader purpose, continuing to disrupt ourselves, and collaborating with likeminded stakeholders, we will ensure that we stay on course.

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About us

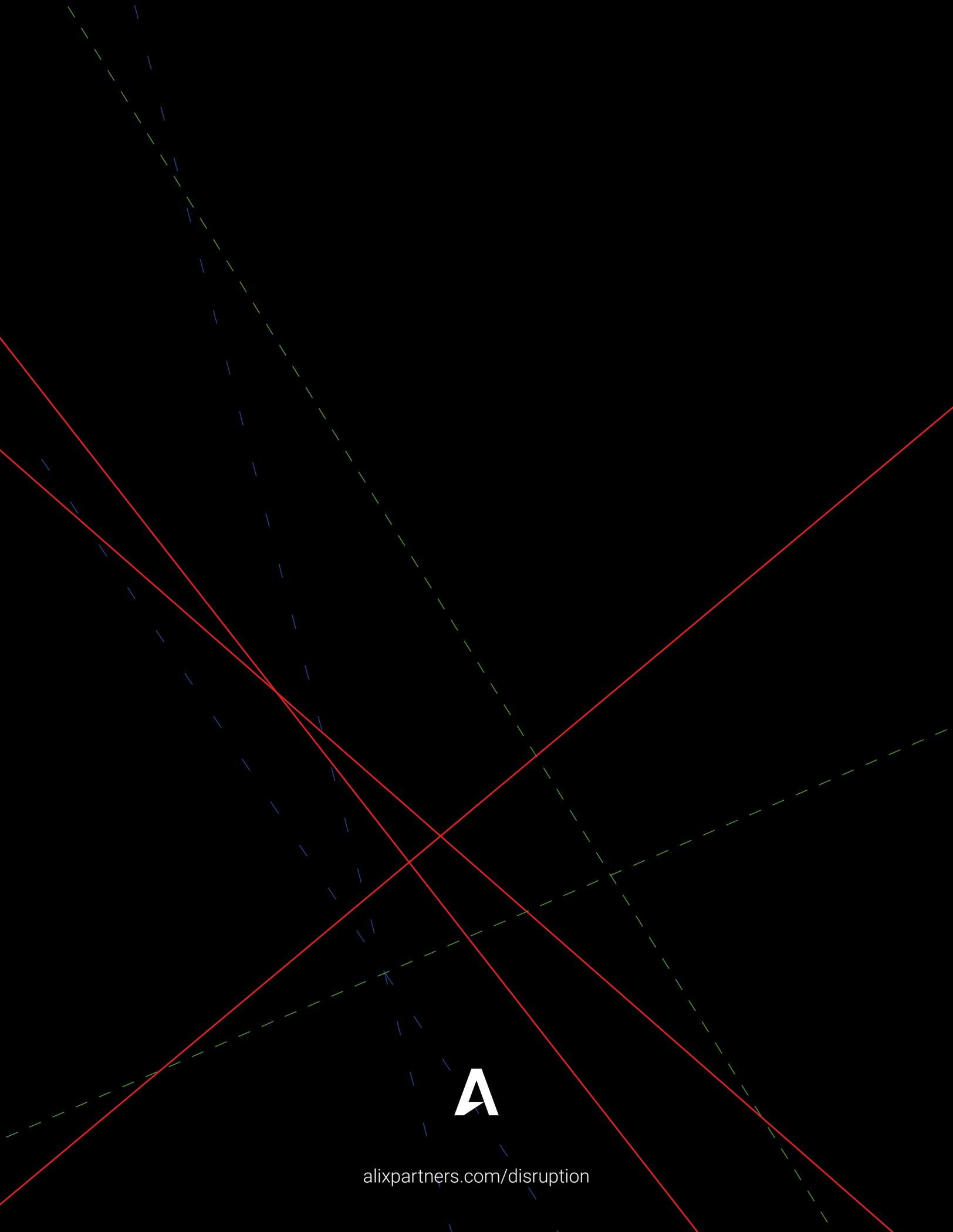
For nearly forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring, and risk mitigation.

These are the moments when everything is on the line: a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference; it's how we do it.

Tackling situations when time is of the essence is part of our DNA, so we take an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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