

Moderating force while fighting the fire – government bailouts and stakeholder expectations

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Companies today are more dependent than ever on a complex web of resources to create value, such as capital and talent, as well as customer and supplier relationships. We call them stakeholders. What does it mean when a government enters this equation as a lender of last resort or a shareholder providing an equity lifeline?

In communications terms, stakeholders are not significantly different from shareholders. Since they have “skin in the game” through their commitment and investments, they expect value for their services or funds, as well as an open and two-way channel of communications. The expectations of stakeholders can be in competition with each other. Yet when it comes to the long-term development of companies, stakeholder expectations tend to coincide.

The so-called ‘Stakeholder View’ is hardly a novelty, nor is government participation. What is new is the environment shaped by technology. Today, technology offers the reach and speed that provides stakeholders with transparency and new tools to shape the debate, and it enables companies to have a dialogue with all these parties. In the digital age, financial communication has become a complex multi-stakeholder dialogue.

Governments which have stepped into situations such as we have seen in the last year have a decisive role to play. They not only inject capital and do the firefighting. Governments are also confronted with the expectations of citizens, investors, and consumers, all of whom expect fair treatment. Their expectations are partly in competition with each other, and this competition is visible to everyone, with governments needing to moderate it through prudent communication strategies.

Stakeholder dialogue does not exclude controversy. The changed expectations of consumers, investors and the public are also a product of the age of digital disintermediation and massively increased transparency. They are used to having broader access to goods and services, much more information and a wider choice. As a result, a more substantial influence is exerted by stakeholders through their values and decisions.

Government investors need to understand for whom the companies they support are creating value, and to actively and effectively communicate this to their various target groups.

Why is this important? The value of most business has become intangible, they are built upon the expertise of their employees and partners in an increasingly complex eco-system. If neglected, these assets diminish or disappear quickly. They need to make sure to protect value, that the force of the fire hose does not flush out key assets, talent, relationships.

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Government interventions are considered a generous gesture and companies which receive them are viewed as safe under the protective umbrella of the state. Yet in the current environment, companies which receive this form of protection are facing new challenges. Stakeholders provide their own perspective on different and varied channels — on social media but also within mainstream publications — and influence their peers. The Government umbrella intensifies this, rather than providing protection. In this environment, communication is key to safeguarding value.

Instead of fighting stakeholders, companies, and Government, investors need to take advantage of this development. Taking account of the active input from multiple stakeholders, which, by its very existence, demonstrates the importance of the company, is an opportunity to obtain ideas and suggestions.

The ideal next step is a genuine constructive dialogue and partnership with stakeholders, equal to equal. The ideal final step is for all interests to be aligned: stakeholders, shareholders, and the business as a whole.

Key communications and positioning actions for management to consider when a government steps in:

- › Governments that are involved in corporate restructuring face certain responsibilities they cannot delegate. Together with the management teams, they need to seize the opportunity to build a dialogue that will strengthen the relationship of the company and its stakeholders, as this will ultimately strengthen the brand.
- › Be present; explain the business model and value creation of a business for its stakeholders and use proactive, comprehensive communications to align the interests of key stakeholders.
- › Protect the brand and stakeholder eco-system, avoid stigma through government support by creating certainty and by communicating in a clear and transparent way - leverage government support as a source of strength.
- › Long-term government aid cannot be a viable option. There needs to be an exit strategy from the start and exit communication needs to be taken into account and planned from the start.