

## **Management Dysfunction and a way out.**

By Kevin Cotter

It is that time of year when rugby league takes centre stage and even the football can overshadow an imminent constitutional crisis being played out in Canberra. As a tragic South Sydney Rabbitohs supporter of over 35 years I have seen the lows and hopefully this year will see them reach the heights I've only read about.

During the Sunday afternoon mismatch between my beloved Rabbitohs and the Parramatta Eels I drifted off. I started wondering what is really going on. How did the Eels drop so far and appear to have cemented their position at the bottom of the table? This lament of sports skill was short lived and being an Insolvency Practitioner and an MBA student it drifted to the business context of the sport.

Like any business, performance is based on a number of factors of which not all are scene but nevertheless may have a detrimental effect on the business. I do not have the inside gossip or the knowledge of what is really going on with the Parramatta Eels but I do know business and will use some examples released in the media to illustrate what damage these types of factors can have on your business' on-field performance.

Some of the key factors are:

- i. Management / Boardroom issues and dysfunction;
- ii. Employee management and morale; and
- iii. Loss of market share and consumers.

In this case I will focus on the first issue.

### **Management / Boardroom Issues and Dysfunction**

There is no hiding the Eels have had issues in this department and I'm not even going to begin to comment on the validity of the numerous reports over the last few years in relation to rebel board factions, constant management changes and four head coaches in just as many years.

No business can function at one hundred percent when so much energy and focus is concentrated on management dysfunction.

I recently worked on an insolvency case where the Company's board split into two rival factions. Company A went from a successfully trading business to insolvent in the space of months as the two factions set up independent streams within the business competing for the same client against each other. Company A was in a shambles and was slowly strangling the life out of its service business. It was rocketing towards the bottom where the Eels now find themselves.

I have seen it before with the Rabbitohs, with Company A and I will with no doubt see it again numerous times throughout my career. Such dysfunction may need a drastic reaction and in the case of the Rabbitohs it was a restructure in ownership (the 2006 privatisation) and with Company A it was a Voluntary Administration ("VA") and Deed of Company Arrangement ("DOCA").

By getting in independent help, the warring directors of Company A were able to take a step back from the conflicts on the board and I was able to manage the process of the two factions allowing them to come to a workable solution. It was through the VA and DOCA process the board members, through my facilitation, were able to reach an agreement that was out of their reach for the nearly 12 months leading up to the Administrator's appointment. They had tried for nearly a year to come to an agreement on the issues but both sides were not willing to compromise on certain points. The DOCA allowed one of the factions to be extricated from Company A with the support of Creditors and Employees. Now both factions trade successfully as two independent Companies.

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Maybe the Eels could do with a full shake up on the Board but that is not for me to judge but it did help the Rabbitohs come from dead last to now (after 7 years of rebuilding) to coming number one. As for other businesses suffering from management issues and dysfunction, professional advice could help as it did for Company A.