Canopy Growth (TSX:WEED) Dumped its Visionary: Investors Should Do the Same to the Stock!

Description

The impact that a CEO has on a company can make a big difference in how the stock does. If **Apple** hadn't been run by Steve Jobs, it's unlikely that the company would be as admired as it is today with the cult-like following it has. The level of innovation coming from the company has noticeably declined since Jobs's death, as the brand has seemingly become content with just making modest improvements to its popular iPhones, which, to little surprise, haven't seen the same fanfare as in previous years.

While Bruce Linton is not on the same level as a Steve Jobs, he was certainly a big part of the reason **Canopy Growth** (TSX:WEED)(NYSE:CGC) had been able to climb to a valuation of more than $20 billion. Overpriced or not, investors were willing to pay a hefty premium for the cannabis stock, even though it has struggled to get anywhere near breakeven. The brand has become synonymous with the cannabis industry and likely a key reason that **Acreage Holdings** wanted to partner with the company.

And so, when Canopy Growth announced that Linton would no longer be its co-CEO, it was definitely a big blow to the cannabis company's leadership. Admittedly, profitability was a big problem, but it was one that **Constellation Brands**, which is a key investor and the likely catalyst behind Linton's departure, knew was going to be an issue for the foreseeable future, especially with the aggressive growth that the company had been pursuing.

By diversifying into other industries and looking to expand into the U.S. hemp market, Linton was trying to build a brand that would be versatile and that would benefit from various growth opportunities. Undoubtedly, it would have taken a long time for Canopy Growth to become a consistently profitable company. However, it was a risk that Constellation had to have been aware of and presumably was prepared to help bankroll the company's growth.

Why it could prove to be a big mistake

Canopy Growth stock had already been on the decline in recent months, and now with many question marks surrounding the company and its future, things may get even worse. We've seen the impact Linton has had just by announcing he would be working with another company and the excitement that his presence is able to generate. That excitement might now be gone from Canopy Growth and it creates the opportunity for a rival company to take the spotlight.

It could even be a great opportunity for a company like **Aphria**, which, earlier this year, saw its CEO step down, to bring on Linton and help the struggling pot stock out. However, it's unclear what Linton's plans are for the time being and if he'd want to work with another cannabis company.

Under new leadership, Canopy Growth might make progress in cleaning up and improving its financials, but that might also result in other opportunities being put on the backburner, which could impact its presence in other markets and popularity with investors. The move to remove Linton seemed like a knee-jerk reaction by Constellation and Canopy Growth's board, and I'm not so sure that it will pay off.

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