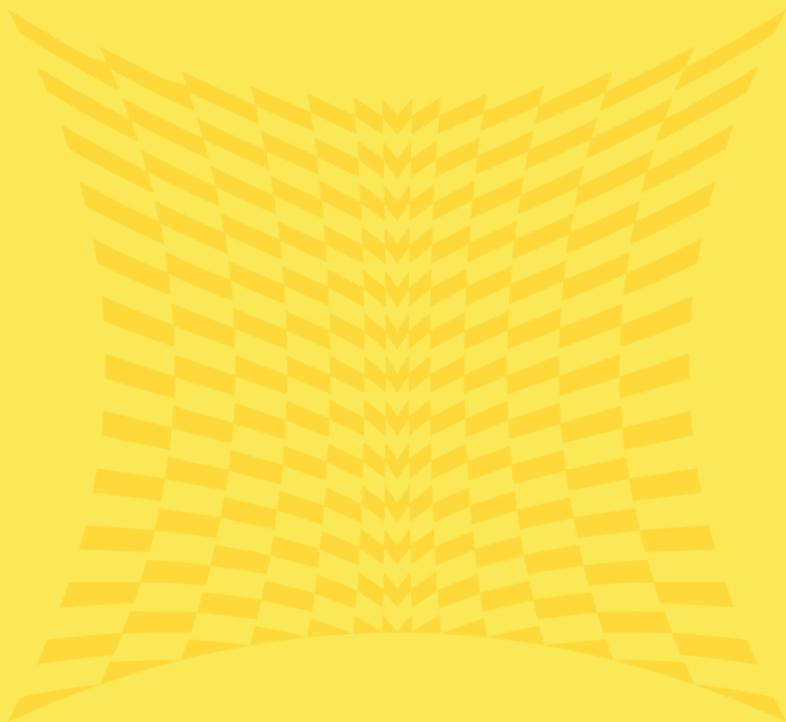


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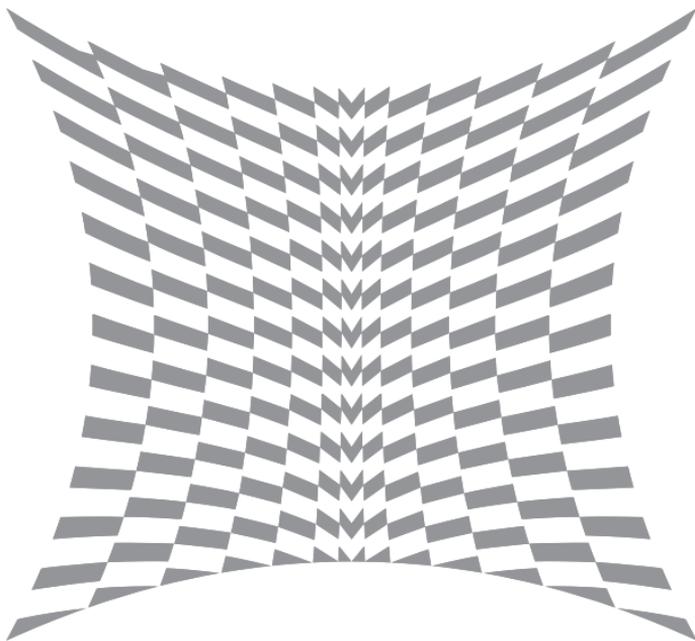


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PROLOGUE

Reputation and the value of anticipation

José Antonio Zarzalejos

Journalist, Former Director of *ABC* and *El Correo*

Social transformations, besides being intense, are happening at a giddy pace. They pop up continuously and give rise to new collective tendencies that substitute, alter or condition those preceding them. This permanent metamorphosis experienced by the most developed societies challenges markets and forces production and service companies to be constantly and attentively listening to citizens in order to adapt accordingly to new consumer habits. This means it is no longer be enough to respond to the demands these new trends entail, but, rather, the challenge is to identify them in their initial phase in order to respond immediately. For this reason, among others, reputation —directly linked to the added value of goods and services offered to consumers and users— needs a new variable in order to be properly evaluated: we should be measuring the early diagnostic ability of social trends that will generate new economic flows in the near future.

As a general rule, these new social trends are not arbitrary but, rather, they respond to a collective rationale. The origin of new social habits in the consumption of

goods and use of services is often related to a collective instinct of conservation and, consequently, a commitment to sustainability. It is very clear the sharing economy—which in 2025, according to different studies, will have a global impact of 330 billion euros—is linked to this concept. This is why it thrives mostly in areas that require urgent alternatives to avoid collapse. Mobility is one such example, especially in urban and intercity areas. The sharing economy has immediately followed the digital economy and has been enabled by it, since the engine of changing trends, and their subsequent dissemination and consolidation, is rooted in technological versatility.

Society tends to recognize added value in anticipating the supply of products and services adapted to new habits and trends, an added value that substantially improves the reputation of the companies that have this predictive ability. Business people who are considered to be “great visionaries” end up being true oracles of our time to the extent they possess a certain empathy with citizens that enables them to identify their demands before they materialize. Anticipate or die could be the rephrasing of the maxim “renew or die,” which in turn is a popularization of Miguel de Unamuno’s philosophical reflection, “progress means renovation.”

Many authors—sociologists, philosophers, historians—repeatedly insist that moral factor plays a decisive role in innovation. That is to say, changes and transformations are related to aspirations of an ethical nature. Now, more than ever, we are seeing how emerging social trends are linked to positive values. We have to delve into

the collective conscience of society to understand the need for the convenience of consuming or using products and services based on morality or ethics. The pursuit of sustainability, a concept with both tangible and intangible components, helps explain these new trends.

In the near future we must focus this preemptive effort —and consequently the effort to establish and consolidate reputation— on the new trends that come under the umbrella of the broad concept of “compassionate economy.” I would like to highlight one example that is revolutionizing food habits as a consequence of “compassion” for domestic pets. It is a trend that pursues a new way of life by varying dietary patterns —vegans, vegetarians—, changing life priorities —more cultural consumption and less work— and introducing “healthy” practices. It is not just related to animalism, but rather to a powerful way of thinking and lifestyle that calls for an authentic revolution of customs and habits.

It is no great insight to assume this social movement comes in response to environmental unsustainability, as long as the current food chain in the planet persists, and, although not explicitly stated, to a more obviously unsustainable factor: unless people change their lifestyles, the public health system will collapse and be unable to deal with the ever-increasing demand to treat illnesses caused by pathological ways of living. This “compassionate economy” —as explained by Wayne Pacelle in *The Humane Economy*— is creating tendencies that demand attention and are still not getting it from Western markets. They are even discredited as eccentric despite hav-

ing a strong rationale and crushing logic that respond to the evils of our time.

The increase in life expectancy –which, for example, in Spain is extremely high– of two extra years per decade, confronts us with new aspirations, the most widespread of which promotes the desideratum to “die healthy.” Food, distribution, livestock, agricultural, textile and other related industries are directly affected by this powerful “compassionate” tendency that is apparently directed towards animals’ food consumption but is, ultimately, directed towards ourselves. It is disheartening, however, to observe how the industries that provide products or services, and that are affected by these new trends, resist them and even try to circumvent them. Their reputation is still intact but it will, inevitably, suffer in the short-term unless they incorporate these principles that are having a progressive and sustained impact on the market.

Reputation requires prospective sociology and the frequent evaluation of social values that are constantly being renewed and replacing previous ones. Reputation also consists of having the ability to anticipate citizens’ concerns and always match supply with demand, without gaps or discrepancies opening up between one and the other. It is true this adaptation provokes two increasingly challenging business phenomena: anxiety regarding the unpredictability of social reactions —perhaps what happens in politics could be held up as a mirror for companies— and the syndrome of transience —early obsolescence— of commercial policies, product lines and

service ranges. Given the liquidity of current times, we live, according to Polish philosopher and sociologist Zygmunt Bauman, in a world without stable references. The sense of anticipation through business intelligence — which is what makes the connection with the world of multidisciplinary knowledge— is key in order for interest groups to recognize in their companies and entities a contemporary reputation.

INTRODUCTION

Why not collaborative politicians?

José Antonio Llorente

Founding Partner and Chairman at LLORENTE & CUENCA

Until relatively recently, politics were reminiscent of war, of inevitable confrontation and a partisan approach. The warlike model of politics is inspired by Clausewitz, who stated that “war is the continuation of politics by other means,” a statement that compared armed conflict to political activity, establishing a permanent link between the two. Although there are still theories about the essentially antagonistic nature of politics, the truth is, as has happened in other areas, social reality has made it necessary to overcome these traditional models and adopt others better aligned with the democratic voice of the people, who are calling on their leaders to fulfil their public functions following the principles of compromise and collaboration.

The desirable attributes of new politicians, besides those of a generational nature, are quite different to those that defined the old strong and self-oriented leadership styles, extremely ideological and empowered by the apparatus of their parties rather than by the appropriate authorities. This has happened in politics as well as in business. Managers, particularly after the recession,

must be champions of what used to be considered soft values, and which have now become essential: integrity, the ability to manage a team, accessibility, communication skills, empathy, transparency, etc. Companies are no longer just a business, they have become a social and economic project in constant development, and business-people must be leaders among their equals, assuming a leadership role characterized by strong ethical principles.

When democratic societies vote the way they do in Western countries, lessons addressed to the ruling class must be drawn. A plurality of options regarding parliamentary representation is not synonymous of ungovernability. It represents a challenge on the part of the voters, who call on their politicians to abandon the warlike interpretation of politics and transform it into an exercise of balance among diverse interests in order to integrate them into cross-cutting and inclusive policies. The common resource of confusing plurality with ungovernability is more a symptom of impotence than an appropriate analysis of the reality. Therefore, the decoding of the messages sent by the polls requires a reconnection with the social aspirations that prevent the granting of absolute powers and diversify them so exclusionary decision-making processes can be avoided.

The new political paradigm—as well as others, to a certain extent- has transformed the political dictionary. Although differences between the social and ideological models remain, the left/right axis has acquired less antagonistic tones and social differences are expressed through unconventional choices. The people have be-

come a socio-political concept with meanings different to those previously mentioned, which were purely colloquial; social classes are now referred to as those “at the top” and those “at the bottom,” citizen empowerment now refers to the description of the powers voters, both individually and collectively, demand from public authorities. Secularism, the globalization of communication and the digitalization of the economy are phenomena that also refer to the new political paradigm we appeal to but has not yet been defined, it has not left the conceptual realm of the pipe dream.

The new politics, in terms of aspiration, cannot be confused with phenomena that are not historically new, such as the emergence of populist movements – left or right-wing nationalism -, or disturbing manifestations of xenophobia or rejection of foreigners, and, even less so, with violence.

The new politics is based on a renewed system of values whose common denominator could be summed up with the word “collaboration.” As a result, politicians are forced to collaborate with each other to faithfully serve the societies that have adopted collective attitudes and demand a leading role through the adoption of effective, ethical and transparent policies that protect the greatest possible number of legitimate interests, beyond favoritism or ideological concessions. That is why corruption provokes a radical rejection, the polarization of the institutions gives rise to a sustained crisis of confidence in their decisions, religious impositions repel the public and the lack of empathy with the social ills generated

by the crisis, which are the cause of international conflicts, is strongly opposed by a public that has armed itself with associations, foundations, NGOs and different movements that replicate the large infrastructures of conventional power.

Spain finds itself in a transition from the old to the new political model. The recent electoral processes are sending such a clear message it is puzzling it is not being heard by the ruling class.

It is a message that is easy to interpret: we must transform the warlike approach to politics – a model from the last century- into a new one that is fully collaborative and, despite differences of opinion and assessment, responds to and integrates the social needs and their aspirations. From this perspective we see how, in many democratic European countries, coalition governments integrating different ideologies are the rule rather than the exception. Once again we must look at Europe, as Ortega advised, to heal our ills and understand that, despite the resistance of those who are most stubborn, compromise, agreement and cooperation will prevail. The alternative is failure.

POLITICS

Latin America... in search of an ocean. Reflections before the next international meetings affecting Latin America

Claudio Vallejo

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Two international meetings of great importance for the region will take place on American soil in just over two weeks. The first is the Ibero-American Summit to be held in Cartagena de Indias on 28-29 October and the second is the Asia-Pacific Economic Cooperation (APEC) forum to be held in Lima on 17-19 November.

Interestingly, both of these international meetings will cast their “eye” and influence over a common sea, an ocean mass that serves as a meeting point for their respective interests, the Atlantic in the first case and the Pacific in the second.

Where to look?

The starting point for Latin America, no longer in a deep cycle of change but rather in a clear change of era, allows us to reflect on where the subcontinent should look in search of greater support and collaboration. On the one

hand, it could look to its natural, traditional, and historical partners as some call them, which have the Atlantic Ocean as their common shore, with Spain leading the relationship. On the other, giving credit to the new partners, are those of the Pacific Basin, key players in the growth in infrastructures and energy seen in the region over recent years and “guilty” of its slowdown as they cool their investments.

Discussion of this dichotomy might not be very relevant in practical terms, since today more than ever Latin American countries need investment and support, regardless of the geographical area it comes from. However, in terms of geostrategy, it would be good to know from where the greatest influence may come and on what basis the future of the region will be designed.

If we are ready for a “change of era” in Latin America, this is an excellent time to hold these international meetings at the highest level, where we may see the reality of each shore revealed, that of Cartagena and that of Lima.

25 years of Ibero-American Summits

In the early days in Guadalajara, Mexico, in 1991, when the first Ibero-American Summit took place as a pioneering forum for the region, no one could have known that this regular meeting of Heads of State and Government would reach its twenty-fifth year. As Enrique V. Iglesias, the previous Secretary-General of the Ibero-American Secretariat, said, “almost a quarter of a century of continuous annual summits is a remarkable achievement. Over

the same period the system of Inter-American States, the oldest political group in the Americas, brought together its Heads of State eight times.”

Latin America is clearly not the same now as it was then. It has had to go through a “lost decade”, another “golden decade” and the beginning of a decade without a name, to arrive at a position where it is now more autonomous in its relationship with Europe. Now there are organisations such as CELAC or USAN, which do not accept members from outside the region, and we see other economic blocs of countries with very diverse interests, such as Mercosur, the Pacific Alliance and even Alba, facing difficult times.

In this context, the process of renewal of the Ibero-American Summits, that began in Cádiz and culminated in Veracruz, has transformed the functioning of these meetings on the basis of the Lagos Report. The result has allowed for a change in the frequency with which the Summits are held, a focussing of the priorities and the idea that cooperation is the “KPI” or measurement of the success of these types of activity. Sometimes we need outsiders to come and give us credit and this is what is happening in the area of South-South cooperation, where the United Nations has recognised Ibero-American leadership in this area. This cooperation involves the sharing of resources, technology and knowledge between developing countries and has seen more than 7,500 projects since 2007.

Given this context, it is difficult not to agree with Rebeca Grynspan, the current Secretary General of the

Ibero American Conference, who defined the presidents who organised the first Summit as “truly ahead of their time, there being few examples of ongoing dialogue between dozens of countries over a quarter of a century”.

The focus of the summits has clearly been on the future: entrepreneurship, young people, and education and this is where many programmes, grants, partnerships, etc., organised by SEGIB, have been seen over time. While these are not very well known by the general public, they have had a great impact on the young people in Latin America. One paradigmatic example is the recently named “Ibero-America Campus”, a true Erasmus programme for the region, focussed on regional academic mobility with more than 500 participating universities and with an expected target of more than 200,000 movements for 2020.

As on other occasions, it is the Business Meeting, run in parallel to the summit, which brings the political approach and grandiose statements down to earth. In this edition, many business leaders have already confirmed their attendance at the event, no doubt aware that the Ibero-American market, made up of 600 million people, 10% of the world’s population and with an economic force that would, if taken as a whole, equate to the world’s third largest economy, is a market that requires attention and careful monitoring.

Despite the ups and downs that traditionally affect the region in terms of growth and development, Ibero-American business leaders do not want to stop bringing the issues that really concern them to the table. As Luis Alberto Moreno, President of the IDB, recently

pointed out, the concerns of the business community are how to promote innovation in small and large businesses, how to increase trade and investment between Ibero-American countries, how to educate those who will fill the jobs of the future and, ultimately, how to deal with the technological revolution taking place.

Economy, development and investment are the key terms in the new Ibero-American relationship. These elements are interwoven with a mass of common values, principles and history which adds a differential element to a simple business relationship, namely the creation of this “Ibero-American space”, made up of people and what they create: companies, institutions, etc., as real as life itself.

Looking towards the Pacific

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Looking towards the Pacific

Against this Atlantic context, so strongly represented in the format of the Ibero-American Summits, we must not forget that for some years now, other expansive forces have been exerting their influence over Latin America but without the same effect.

The Asian economies, led by China, have benefited from the connection that the Pacific Basin provides. They have identified a wide “beachhead” on the American west coast, from Tijuana to Tierra del Fuego, which allows for an easy disembarkation across the whole of the region.

China did not let this opportunity pass it by. With the entry of the Asian giant into the World Trade Organization in 2001, trade relations with Latin America grew exponentially, creating an explosion in trade between the two regions. In just a few years, China became the

second largest trading partner in the region, surpassed only by the United States. The demand for raw materials was one of the levers for growth, something that is very important to some Latin American countries with large reserves of oil, minerals and agricultural products ready for export.

Such has been the influence and connection between the two regions that, surprisingly, most analysts agree that there is a “synchronisation of the economic cycle of the Asian giant with Latin America” as ECLAC experts outline. Thus, growth in China went hand in hand with the take-off of the Latin American economies and, therefore, the Chinese “cooling” inevitably caused the Latin American “cold”. This is exactly what has been happening since the end of 2012, a slowdown in the Chinese economy, aggravated by a fall in the prices of commodities in international markets. According to OECD data for 2015, there is a clear trend of falling exports to China by most Latin American countries for the first time in many years.

In this new scenario of marked uncertainty, the Asia-Pacific Economic Cooperation (APEC) forum is meeting in Lima on 17-19 November 2016. The concern of APEC, as a mechanism for economic cooperation, is the development of trade, investment, technical cooperation and anything that can generate wealth for its 21 member countries, all located in the Pacific Basin.

Without a doubt, the Latin American countries taking part, Peru, Chile and Mexico, along with many others who may benefit indirectly, will be eager to receive the

full cooperation and support of global players. China is at the head of the list but there are others of no less importance such as Russia, Japan, South Korea, Australia, etc. from the far Pacific and other closer and more influential countries such as the United States and Canada.

This will be the fourth time in its 27 year history that APEC has met in Latin America and Peru has been keen to take advantage of the opportunity to raise as the central theme of this forum “the growth of quality and human development” that allows for both economic growth and the eradication of poverty. It is curious that this inequality that they seek to tackle is not only a characteristic of the Latin American countries, but rather is a common factor in most countries in the broad Pacific Basin.

This APEC forum, therefore, could not be more interesting, due to both the context and the choice of location and the expectations being generated around it, which are very high.

Pacific or Atlantic? It may not be necessary to choose...

This dual international meeting, with the two taking place at the same time but with very disparate interests and areas of influence, could suggest a dilemma for some Latin American countries in terms of having to choose between looking to the Atlantic, a traditional area for its relationships, or to the Pacific, from where the winds of change are blowing.

Nothing is further from the reality. The real strength of Latin America has been shown to be its dynamism and

adaptability to new circumstances, without historical prejudices and obsolete references, respecting common values and interests but also opening up to new opportunities, wherever they come from.

Having overcome the “America for the Americans” of the Monroe Doctrine, it would now be in very bad taste to talk of an America for the Atlantic or an America for the Pacific, when this Latin America is capable of looking to both sides, with the skill and courage to “fish in both oceans.”

The young Latin American population and the companies and institutions they create continue to be a focus for attracting investment and new projects and the trees of the current situation are not going to prevent anyone from seeing the forest of a region where it is possible to do business, here and now. The hundreds of companies and business and political leaders who will take part in the business meetings in Cartagena and Lima know that.

A fragmented Europe that faces a leadership crisis

Tomás Matesanz

Chief Corporate & Brand Officer at LLORENTE & CUENCA

José Isaías Rodríguez

Senior Advisor at LLORENTE & CUENCA

What is happening? How are problems being focused?
What solutions are there? Why is action not being taken?
What is the purpose of our leaders?

When a society contemplates these types of questions, it is not a trivial matter. This is primarily due to a situation in which it is believed that not only is progress not being made, but that we are going backwards, and in light of events, the general consensus is that if decisions are not made, things could get worse.

It is never good to be aware of many things but to take little action. There is a problem here! And another one there! This goes on for countless challenges that become increasingly urgent until specific actions are carried out.

But how can action be taken without a comprehensive vision of everything? How can a partial element be resolved without focusing on the whole? Do we under-

stand what we want to do together, in accordance with our needs?

The precision with which the Real Academia Española (RAE, the Royal Spanish Academy) defines the words of our language makes it possible to describe with certainty our perception of our surroundings. I have wanted to find a single word that, in my opinion, conveys the current situation and status of the European Union. A number have appeared after a bit of reflection: critical, tumultuous, delicate, perplexed, confusing, unsettled, disillusioned, tense, shaken, hazy, disoriented, troubled, disconcerted, bewildered, and dark.

Each and everyone can be used to describe the current state. The language spoken by 400 million people throughout the world is so rich, that the choice is difficult. “Confusing” is probably the word that best describes the events in the eyes of the citizens of Europe and beyond.

Europe has had to deal with difficult times in 2016. Although they are not the result of what has happened this year, major issues have coincided. A number of matters have existed for some time and have worsened, but others are new. Greece, refugees, security, terrorism, a shortage of economic drivers, a weakened Eurozone, and lastly, Brexit. This heavy menu is likely to cause indigestion.

At the beginning of his State of the Union¹ speech before the European Parliament this past September, Jean Claude Juncker, President of the European Commission,

¹ State of the Union 2016 | European Commission ec.europa.eu/priorities/state-union-2016_en

stated that the European Union was going through an “existential crisis”.

In humans, this type of crisis usually occurs at the midpoint of our life expectancy. It is known as a mid-life crisis, although in reality it covers a period that lasts until the age of 60.

During this time, people may question their existence, combined with their body’s biological changes.

Since 2017 marks the 60th anniversary of the Rome Treaties—a turning point in the creation of a united Europe—it can be considered as a sort of existential mid-life crisis.

However, age is not affecting the European Union. It is too early in the night for this. It is a night, darkened by clashes and wars that thanks to an integration project, shines with the light of the longest period of peace and prosperity in history. Younger generations may not grasp the importance of this because they consider it to be a constant element that has always existed in their life.

The European Union must restore its best aspects. This refers to the identity that defines it and is based on the values it defends and promotes in order to build a model of coexistence based on peace and prosperity.

The citizens who comprise the Union must be the main focus of their leaders’ concerns.

These leaders must listen and be willing to assume the responsibilities that, in light of the challenges they face, must go beyond their term of office. Their decisions will like have a political cost due to their importance and weight. However, the European Union’s existential iden-

tity cannot be restored by only focusing on the short-term electoral return of certain actions, without the determination and courage needed to make decisions that cannot be delayed, all in a continuously changing global context.

These leaders must serve as a reference thanks to the ethical principles and transparency of their decisions, with indestructible strength, despite the adversity they face.

These leaders must speak a language that can be understood by the men and women they want to convince of their well-founded goals, in line with their expectations. For example, using acronyms such as “SOTEU” is the best way to be understood? Dámaso Alonso was completely right! A poem he published in August 2003 that denounces the suffocating and oppressive use of abbreviations and acronyms in our language makes a valid point.

Visionary leaders must anticipate the changes faced by a constantly evolving world that is driven by information and communication technologies, and in which the multicultural aspects of humans are here to stay.

This past June, Lukas Tsoulakis published an interesting reflection titled ¿Qué Europa queremos?² (What Europe Do We Want?), which I support. However, due to the significant challenges being faced, I believe the question should be “what Europe do we need?” In other words, what are we lacking and how do we plan on ad-

2 Unión Europea: ¿Qué Europa queremos? (European Union: What Europe Do We Want?) | Op-Ed | EL PAÍS | elpais.com

addressing those shortages without the dangerous companionship of self-complacency, self-absorption, division, populism, and without unloading the evils of our inabilities on the omnipresent Brussels, as if we had no relationship with it?

In the extraordinary biography that Roy Jenkins (former President of the European Commission and Chancellor of the University of Oxford) wrote of Winston Churchill, one sentence about this iconic person of modern history stands out: “The security and prosperity of Europe lies in its unity.”

Mercosur Crisis: Venezuela's Temporary Presidency

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Mercosur is experiencing one of the most complex political crises since it was founded 25 years ago. It is clear the Southern Cone is changing at the political level; Following Mauricio Macri's victory in Argentina and Dilma Rousseff's impeachment, which has left Michel Temer as president of Brazil, we face a shift in the region's political orientation and a new consolidation in the power structure. Brazil, which used to be the greatest regional actor, has been affected by the impact of Rousseff's dismissal at both externally and internally. Rousseff was accused of carrying out fiscal maneuvers to disguise the report

of her administration's public accounts in 2014 and 2015 in order to ensure her re-election.

Facing this situation, Latin America was torn between supporting or rejecting the process, which led to internal divisions within Mercosur. In the first group is Argentina, which described Rousseff's trial as a "constitutional process," and in the latter is Venezuela, which considered the Brazilian Senate's decision a coup. Meanwhile, Uruguay has expressed its doubts about the process without exactly calling it a "coup."

At the international level, we must add Uruguay's July 29 decision to abandon the bloc's mandate at the end of its current presidential semester. At that moment, Venezuela, the country that was supposed to take over following the alphabetical order provided for the presidency's rotation, announced it was taking command even though there was no transfer ceremony, such as the traditional presidential summit, and despite opposition from Argentina, Brazil and Paraguay, which still consider the presidency vacant.

Argentina, Brazil and Paraguay complain that Caracas has not complied with Venezuela's membership agreement and question the Caribbean country's quality of democracy, which is why they consider Mercosur's leadership currently vacant. In this context, they ignore how the actions taken by Venezuela may impact Mercosur.

Thus, the bloc is now immersed in an institutional paralysis. At the moment, there is a debate about the primacy of strict formal aspects of international law and

good practices³ versus the current political context and ideological convenience of its members.

1. Formal aspects versus political aspects

According to Mercosur's founding treaty and the Ouro Preto treaty, temporary presidency should occur on two conditions: for a time span of six months and by alphabetical order. In article 5, the Ouro Preto's protocol highlights that "the presidency of the Council of the common market is exercised by rotation of the member states, in alphabetical order, for a period of six months."

Likewise, internal decisions are taken through consensus, which means that as long as one of the member disagrees, the situation will not be resolved. Argentina's, Paraguay's and Brazil's governments believe there is a "hole" in Mercosur's mandate because, according to them, there was no consensus in the election that, by right, it would belong to the Bolivarian nation.

What is behind the debate? In economic terms, we could infer that the three neighbors are looking for a way to grab hold of the regional bloc at a time when Mercosur and the European Union are negotiating the finishing touches for a Free Trade Agreement, and this quarter will be key in the negotiation process.

3 There was no formal transfer since there was no meeting of the Council, presidential summit (which is the usual transfer procedure) or communication from the rest of the member countries. Another argument is that Venezuela has failed to comply with all the prerequisites to become a permanent member of the economic bloc

Mauricio Macri (Argentina) and Michel Temer (Brazil), from the bloc's main countries, want to change the line of action adopted by the economic bloc over the past 12 years during the governments of Luiz Inácio Lula da Silva and Dilma Rousseff, an action which is considered more political than commercial. Stopping Venezuela from assuming Mercosur's presidency is the first step in this direction.

Moreover, the heads of state of what the Venezuelan leader, Nicolas Maduro, calls the "Triple Alliance" question the Caribbean country's quality of democracy. During his electoral campaign, Argentina's President Mauricio Macri, accompanied by Lilian Tintori (wife of Venezuelan political prisoner Leopoldo Lopez), announced that, if elected, he would apply the "democratic clause" in the case of Venezuela. Upon taking office, the Argentinian president reaffirmed his statement.

2. Hemispheric Versus Regional Relations

With a focus on developing ties with regional and international partners, Argentina appears and is perceived in Europe to be a key player in the reactivation of regionalism and multilateralism. This is reflected in visits from the European Commission's senior officials in months, the most recent of which took place Aug. 22, when President of the European Parliament Martin Schulz met with Mauricio Macri and other national leaders and governmental officials.

This visit adds to those of other officials from the EU's executive body, such as that of Federica Mogher-

ini, high representative for Foreign Affairs and Security Policy and vice president of the Commission, as well as members of the executive board of the European Parliament's Foreign Affairs Committee. Additionally, they attended meetings the Argentinian president, along with Chancellor Susana Malcorra, held with the European Union's authorities July as part of their Brussels tour.

The European bloc seems to have found a stable partner in the new Mauricio Macri administration, not only in regard to other parts of the world, but also in regard to his regional partners, and even more so in the uncertain context caused by the critical situation Mercosur is going through and Temer's government in Brazil, the other regional power.

The purpose of these meetings is to streamline mechanisms to advance the materialization of an agreement between Mercosur and the European Union that has been postponed for 20 years, while also studying alternatives to boost investment and employment. The main objective in the short term is to finalize commercial negotiations between both blocs.

In this regard, during his visit Schulz highlighted Argentina's role in reviving the decision-making process in order to further negotiations and achieve a partnership that includes free trade between the two international organizations. Nevertheless, in order to realize the agreement, two conditions must be met: Mercosur's member states need to align themselves and define a new direction for the bloc, and the European bloc must steer toward a new resolution, moving beyond opposition from

some of its member states (related to the heterogeneous position of EU countries regarding the protection of their markets, particularly in agriculture).

The European Union must consider either negotiating as a bloc or reaching an agreement with the caveats each member state desires in regard to each specific point. These decisions are at the mercy of the political will at a moment when the bloc should redefine its international relations following Great Britain's announcement to exit the EU.

In achieving the aforementioned objectives, it is worth noting the visits from European Investment Bank (EIB) Vice President Roman Escolano in September, and from the Internal Market, Industry, Entrepreneurship and SMEs Commissioner Elzbieta Biekowska in December. Meanwhile, Argentina is waiting for the United States' endorsement to become a member of the Organization for Economic Co-operation and Development (OECD), a group of countries in which South America is represented only by Chile. The Ministers of Foreign Affairs and Finance, Susana Malcorra and Alfonso Prat-Gay respectively, requested this incorporation in June.

However, the United States government is reluctant to accept new members. So far, it has been backed by the United Kingdom, France, Italy, Portugal, Chile and Mexico. Normally, the membership process takes at least three years and must be accepted by the 35 countries that compose the group, as well as the European Union, so Argentina also needs the support of the member states.

The situation will be defined in early October once the International Monetary Fund's (IMF) mission has gone to Buenos Aires. It is predicted that, through the revision of article IV, the censure that has weighed on the country since early of 2013 due to the distortion of data on economic growth and inflation will be lifted.

Likewise, once Dilma Rousseff's impeachment process has concluded, Brazil's government wants to begin the debate to review the rule that any trade agreement concluded by the Mercosur's countries requires consensus among all the members of the economic bloc.

In Temer's government's evaluation, this mechanism has prevented commercial negotiations between Brazil and the rest of the world. The government of Brazil also wants to change the rule that trade negotiations are preferably done through the World Trade Organization (WTO). Along with Macri, Brazil hopes to count on the support from Paraguay's President, businessman Horacio Cartes, to move forward with these changes inside Mercosur.

3. What Happens to the "Democratic Clause"?

Protocol states the clause can be applied "in case of a breakdown in the democratic order in any" of the member states of the regional bloc. The application of the norm includes measures ranging from the "suspension of the right to participate in Mercosur's various bodies" to the termination of the "rights and obligations arising from these processes."

The document explains that, in case of a breakdown of democratic order, the rest of the bloc members “will promote the relevant consultations among themselves and with the affected state” and, if these conversations fail, that the countries “will consider the nature and scope of the measures to be applied, taking into account the seriousness of the situation.”

It so happens there was no consensus within the bloc on whether to apply the clause to Venezuela. The proposal was refused by Uruguay, and given that the measure can only be applied through consensus of the states that compose the bloc, it is unlikely to flourish. For this reason, Brazil, Paraguay and Argentina are pushing to prevent Maduro from becoming the president of the regional bloc until he gives way to the recall referendum demanded by the opposition.

4. The Focus of the Debate: Human Rights and the Quality of Democracy

The hemispheric powerhouse, United States, typically observes the situation in the southern continent but only gets involved with caution. This week, spokesperson for the U.S. State Department Elizabeth Trudeau urged Nicolas Maduro’s government to free the leader of Voluntad Popular, Leopoldo Lopez. The Organization of American States (OAS), a group of 15 countries (including Uruguay), urged Venezuelan authorities to continue the recall referendum process against the current president “without delay.” The group of countries expressed their

expectations that the consultation “will contribute to a quick and effective resolution of the current economic, social and political difficulties” in Venezuela.

At the same time, President of the National Electoral Council (CNE) Tibisay Lucena announced that the collection of the 4 million signatures needed to begin the recall will take place at the end of October, which would prevent the recall referendum from being held in 2016 as the opposition demands. If the referendum is carried out before Jan. 10, 2017, and Maduro loses, there will be elections. However, if it is held after that date and the president is removed from office, he will be replaced by Vice President Aristóbulo Istúriz Almeida⁴.

The beginning of the Olympic Games was the excuse for Mercosur’s founding presidents, with the exception of Uruguay, to reunite—presumably to address the Venezuelan crisis—while taking advantage of U.S. Secretary of State John Kerry’s visit to Argentina and Brazil. Mercosur’s situation was one of the topics at the meeting between Brazil’s then acting president, Michel Temer, Brazil’s Foreign Minister Jose Serra and Kerry during the opening ceremony in Rio de Janeiro.

It is also necessary to emphasize two more factors that affect use of the democratic clause. A Venezuelan collapse would have repercussions for the entire north-

4 It must be a freely appointed public official who can be removed by the President of the Republic. He cannot be related to the president. He can also be removed by more than two thirds of the National Assembly through a vote of no-confidence. If, during the six-year presidential term, no-confidence motions against more than three vice-presidents are approved, the president will be entitled to dissolve the Parliament.

ern part of South America, especially for Colombia, with the United States engaged in its peace process. Moreover, if disturbances were to arise in the Venezuelan capital, the current United States Republican presidential candidate, Donald Trump, would have another argument against the international policies of his rivals.

5. The Need for Consensus

Facing this situation of eventual acephalia in the bloc, an alternative was suggested: create a committee of ambassadors from Mercosur's member states to assume the rotating presidency instead of Venezuela until it is Argentina's turn to lead. While the situation is new, it would not be the first time a situation outside of what has been established for the transfer of regional leadership has occurred.

Let us remember that in 2013–2014, when Paraguay was suspended from the bloc—allowing Venezuela to join⁵—the Caribbean country was at the head of Mercosur for one year. One of the reasons was that the presidents failed to meet so the bloc's leadership was not transferred. Meanwhile, Venezuela continued to lead Mercosur without the formality of the process being

5 In 2013, Paraguay, which had been suspended from in 2012 Mercosur because of former President Fernando Lugo's removal following a political process in Parliament, had not yet joined the bloc. Presidents Cristina Fernandez de Kirchner from Argentina and Dilma Rousseff from Brazil made the decision to suspend Paraguay, ratified by Uruguay's President Jose Mujica. That shift allowed Venezuela to enter Mercosur as a full member.

questioned, which shows that, in those days, politics prevailed over statutes.

Two years later, with Uruguay's decision to transfer the presidency, Venezuela has faced resistance from its regional partners to assume command. Argentina, Brazil and Paraguay argue that, on top of the biannual and alphabetical rotation, the decision must be made "by consensus," something that seems very difficult to achieve today.

As part of this institutional paralysis, delegates from the founding countries are looking for other arguments to legally justify the inability of Maduro's country to lead. At a meeting Aug. 12, coordinators from Argentina, Brazil and Paraguay analyzed Venezuela's level of compliance with Mercosur's regulations.

Specialists from the governments of Paraguay, Argentina and Brazil examined the 400 rules and 50 agreements the country must meet in order to become a full member of Mercosur, rules that expired Aug. 12. Failure to comply with any of those commitments would mean Venezuela's removal as a member of the international organization. The situation was supposed to be settled Aug. 23, when the national coordinators of the bloc got together to find a solution to the controversial Venezuelan presidency. However, Uruguay's firm position once again left coordinators without consensus and, consequently, Paraguay was not able to achieve Venezuela's exclusion (the result it expected) and complete removal from bloc leadership. Uruguay stood firm in its stance despite the

pressure it received from Brazil, Paraguay and Argentina, preventing the suspension from becoming effective.

After a tough meeting, it concluded without any progress and the decision was postponed for a few months. The idea to defer the decision until December was considered, giving Venezuela time to meet the demands stated in the bloc's membership protocol or leaving room to convene a recall referendum. For now, while the leaderless state persists, a "calendar of meetings" has been designed to address the partners' issues of interest.

Likewise, Venezuela's strategy was to call for a new coordinators meeting a day later. The meeting would not allow the bloc to achieve any consensus since Uruguay and Bolivia would be the only countries in attendance, but it would set a precedent of his intention to make use of his status as temporary president of the bloc, further exposing the division that lies within.

According to a statement from Brazil's Foreign Ministry⁶, to date the Caribbean country has yet to adopt important agreements such as ALADI's No. 18 Economic Complementation (ACE); 2002's Residency Agreement for Nationals of Mercosur member states; and 2005's Commitment for the Promotion and Protection of Mercosur's Human Rights⁷.

Aug. 17, after meeting with the leaders of Venezuela's opposition, Brazilian Minister of Foreign Affairs Jose

6 <http://www.itamaraty.gov.br/pt-BR/notas-a-imprensa/14596-estado-da-implementacao-do-protocolo-de-adesao-da-venezuela-ao-mercosul>

7 It is noted that in September 2013, Venezuela left the Inter-American Court of Human Rights. Thereafter, the Court had no jurisdiction over Caracas.

Serra once again confirmed the country did not meet the requirements to join the trade bloc, including its violation of human rights. He also added that Brazil is negotiating a plan with other countries for the bloc's work to be carried out before January, when Argentina will be assuming the presidency. Another proposal being evaluated is the ability to lower Venezuela's position within the organization to prevent Maduro from assuming office.

Meanwhile, Venezuela's deadline to formally assume Mercosur's presidency is over. At the same time, the Caribbean country denies having failed to meet its commitments and insists the country has matched, and in most cases surpassed, other member states in incorporating the bloc's regulatory framework.

Likewise, the Bolivarian Republic of Venezuela accuses Argentina, Brazil and Paraguay of forming a "Triple Alliance"⁸ to attack the country, placing "prevailing neoliberal political and ideological preferences over the interests of peoples and their integration processes."

While the regional bloc's three founding countries try to find a solution to guarantee the integration system functions regularly, Venezuela has already assumed the transfer. The Ministry of People's Power for Venezuela's Foreign Affairs has published the preliminary schedule of activities for the remainder of 2016, in which Caracas is hosting most of the meetings and activities.

8 In reference to the coalition formed by Argentina, Brazil and Uruguay against Paraguay during the War known as Triple Alliance, which took place in the 19th century.

6. The role of mediator

Building resistance against Venezuela's continuation, Brazil's and Paraguay's delegates have increased pressure on Buenos Aires and Montevideo, seeking to raise additional arguments to assault the legitimacy of Venezuela's presidency. Meanwhile, appealing to one of the principles that inspire states to settle their disputes in a peaceful manner⁹, Argentina is looking at the possibility of papal mediation in the matter.

In mid-August, Argentinian Chancellor Susana Malcorra issued statements to the press confirming progress has been made in putting together a mechanism that allows the Vatican to intervene to unfreeze the regional bloc. The intention is to get the Pope to mediate, with Francisco acting as an intermediary to achieve a dialogue between Venezuela's government and the opposition. Were he to accept, he, as the mediator, would be empowered to propose a non-mandatory basis for agreement for all parties involved. Taking into account each party's position, he would present a proposal to settle the dispute between them and reach an agreement based on that proposal.

Following the recent rapprochement between the United States and Cuba, the Pope could reassume a

9 According to public international law, sovereign states can resort to negotiation, good practices, mediation, investigation, conciliation, arbitration, judicial settlement or regional and universal international organizations to settle their conflicts in a peaceful manner. The parties can choose any of the mechanisms in place for the peaceful resolution of their controversies, without any of them prevailing over the other.

leading role in regional diplomacy. If realized, it would mark the second time Southern Cone countries have embraced papal mediation since 1978, when Pope John Paul II resolved the border conflict in the Beagle Channel between Argentina and Chile.

Although the Holy See has expressed its willingness to contribute to the dialogue, it has yet to formally receive a formal request to mediate the conflict, either through the Nunciature or the Secretary of State, according to the Holy See's spokesperson, P. Federico Lombardi, in late July.

However, given the uncertainty about which nation should assume control and from what date, the alternative of having a third neutral power to resolve the bloc's institutional paralysis is strengthened. Thus, the final decision will not have a political cost for any member states, most of all Argentina, where Macri would rid himself of the burden of having to take a tougher position.

Currently, the founding states (with the exception of Uruguay) have maintained their position of disregarding Venezuela as a as a valid partner for the bloc, which is why they chose to move forward, without Venezuela's participation, in negotiations with the European Union and the Pacific Alliance. In this sense, at the coordinators' latest meeting, Uruguay was elected to lead the negotiations with the European bloc, while Paraguay was in charge of the efforts to join the Pacific bloc. This way, Venezuela holds Mercosur's symbolic presidency, while Montevideo remains as the headquarters.

To conclude, the current state of affairs seems to present three future scenarios for achieving a way out of this impasse: validate Venezuela's noncompliance with the bloc's membership protocol, thus achieving its exclusion; wait three more months until it is Argentina's turn to assume leadership of the organization; or formally invoke the mediation of the Holy See in this conflict.

Cuba, three big challenges and one destiny

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Never before has a country so small captured so much attention and passion on an international scale. Cuba's appeal is difficult to describe. It is an island that, due both to its geostrategic location and its past and present history, has been called to play a leading role in the coming years. The restoration of relations with the U.S. and President Obama's historic visit to Havana in March ushered in a new stage of bilateral relations, and in Cuba's relations with the rest of the world. All of this, as well as the need to open up its economy to foreign investment, is generating new internal and external dynamics that have put the island once again at the center of the political world's and international economy's attention.

We are witnessing a new era that has generated many expectations, both inside and outside the country, but despite the many obstacles and tensions expected through-

out this complex process, the openness, modernization and liberalization of its economy is an irreversible process that will have to tackle three big challenges.

Firstly, the generational handover. For biological reasons, the revolutionary leadership, with the Castro brothers at the helm, will have to step down and make room for a new generation of political leaders. This handover will be far from easy given that the Cuban regime is not known for linear or transparent processes. The process and time for decision-making have always been unpredictable and not devoid of surprises. In the Seventh Congress of the Cuban Communist Party, President Raul Castro himself confirmed the date of this handover to be 2018, sparking a guessing game as to who will be his successor. Attempts have always been made from abroad to identify, pinpoint and even influence his possible successor, but we must be prudent in our affirmations and evaluations. Perhaps it is more likely to consider a future university-educated leadership, headed by a prestigious figure who will try to bring continuity to fundamental socialist principles but who will move toward a new form of government that is more in line with modern times: A smooth political transition process that tries to reconcile the characteristics of a closed political system with a more participative and plural one. This is a decision that, in any case, should be made by the Cuban people in sovereign fashion and without foreign interference.

Secondly, Cuba faces the urgent challenge of economic modernization. Its transition depends largely on its capacity to generate a virtuous circle of growth

that can, in turn, generate wealth and prosperity for the Cuban people, removing the obsolete foundations of an economic system from older times. The Cuban people have the right to leave behind their 60 years of economic rarities, restrictions and hardships in order to build a competitive social economy. The country could transition toward this economic model without giving up its core principles of equality and distribution of wealth by modernizing its public companies and enhancing the country's large cooperative sector, its small- and medium-sized enterprises and its self-employed, autonomous workers. However, all this requires the introduction of efficient criteria, incentives and self-government, rooting out and updating the bureaucratic apparatuses that render a good part of its economic system inefficient and obsolete. The country boasts positive examples of successful industries and companies in tourism, biotechnology, health services and culture and has an excellent opportunity to boost and manage other driving sectors of the economy, such as food, energy, transport and infrastructure.

Finally, Cuba's third challenge lies in capitalizing on and promoting the enormous human capital it has and generates. If there is something that characterizes Cuba in relation to other developing countries, it is precisely the level of education and creativity of its population. Over the last few decades, Cuba has displayed a capacity for resilience unlike that of any other nation in the world, thanks to its people. Cuba's future has to be based on liberating the talent, skills and potential of its young

people to allow them to become the protagonists of this new Cuba.

In conclusion, these three titanic, but perfectly feasible, challenges should point toward a new horizon, a new destiny to turn all this potential, wealth and plurality into a new inclusive, shared project that will position the country in its rightful place in the political, economic, social and cultural spheres.

Panama: President Juan Carlos Varela, two years in office

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This July marked 24 months since President Juan Carlos Varela took office in a changing geopolitical environment that affects the whole continent and in a country still facing significant challenges regarding domestic policy, transparency, human development, economy, infrastructure and even reputation and international positioning. Some sectors describe the government's management style as 'slow' or deficient, with a weak vision of public policy. Others, however, positively value the focus on infrastructure projects that are relevant to the country's future as well as an orderly fiscal management.

The challenges the government faces are characterized by their magnitude and diversity, as well as by the enormous expectation that surrounds them. Besides, the President faces an assembly divided in opinion and political colors, and is not a stranger

to the regional uncertainty generated by the fluctuations in southern democracies, such as Argentina; Brazil's institutional crisis; the complex situation in Venezuela and its impact on immigration; Colombia and even the upcoming US elections, among other issues.

Likewise, Panama's President has been gradually losing political credit, as shows the latest poll published by Dichter & Neira. During this period, the President went from a solid 80 percent approval rate during his first 100 days in government to a 37 percent-with a downward trend- after his second year in power. These numbers should force the government to rethink a good part of their strategy with a high sense of urgency. They should also make the President undertake a restructuring of priorities given the enormous challenges he faces, the campaign's high expectations and the specific fund requirements the country will face for the remaining three years of his administration.

1. Saying, executing and pretending

During the presidential campaign and at the beginning of his term, Varela made clear that his goal was to build a social legacy and be remembered by his advances in this field. In the speech he gave before the National Assembly marking the end of the second year of his administration, the President made a recount of his most relevant and tangible achievements, as expected. He emphasized successful projects such as Colon's urban renovation, to which he dedicated several minutes highlighting the

construction of 7,000 homes and the activation of social integration initiatives. He also made reference to “My School First” program and the Universal Scholarship, as well as other programs such as Ceiling for Hope, Safe Neighborhoods and the program 100% Drinking Water and Basic Health, among others.

The two-year speech also made reference to the focus on public works and investment in infrastructure, as well as economic growth, a point we will address later on. If we take into consideration what the government described as a compilation of tangible, measurable and legitimate achievements, where does the popular discontent come from? Why have approval ratings plummeted? Despite the achievements mentioned by the President and the messages issued by the government, there is a growing discontent, as indicated by the aforementioned poll, from which we could highlight three key aspects beyond the overall approval rate: the government’s execution and problem-solving capacity, transparency management and security.

Does the government execute or not? The diligence or resolution capacity of the government is perceived as bad or very bad by 56 percent of respondents, while 35 percent rated it as good and 5 percent as excellent. Are its accomplishments consistent with the priorities of the majority? Does the government do what is supposed to do but communicates it badly? On the other hand, 76 percent of public opinion disagrees with the exercise in transparency. Is there a growing demand for accountability following recent cases of corruption and

the repeated inclusion of Panama in the list of ‘marked’ countries? Besides, another critical issue would be security, which stands as another pending concern, with 75 percent of the population believing that the situation will not improve. In short, we could say that the government states it accomplishes a lot while public opinion believes it doesn’t. To the contrary, apparently the political territories where the government has managed to set foot in would be responsible for the achievements in investment and construction of strategic, high-impact infrastructure, as noted by Guillermo Chapman, among other analysts.

Does the government achieve more than it actually discloses? During his speech, the President made a comment that did not receive much media coverage, but that may be understood as a sign of what is coming. The President appealed to strengthen the communication strategies of the different ministries with a clear goal. Through a brief but powerful reference, Valera made clear the need to improve the communication apparatus, publicly urging his ministers to “better communicate their management achievements and strengthen efforts to advance the implementation of the government’s work.» Could it be inferred that the President thinks the opinions expressed by the polls are not being fair with the government’s achievements? The implicit message that emerges reads something like this: “We need to fight the battle of perception as much as that of execution”.

In some circles of communication of advisers and professionals, two topics are being discussed. First, the polarization Martinelli versus Varela. Second, the lack of conversation of the current government. In regards to the first issue, the idea of polarization refers to the marked difference between two communication styles. A histrionic, high-profile style focused on visibility, partly achieved thanks to high levels of advertising investment; versus a more austere, moderate style, without the political voicing, confident that the government's achievements will speak for themselves so it will not require large investments or a functioning communication structure. There is no need to clarify who is who, which also serves to illustrate the example. The second issue is conversation. Conversing refers to establishing a dialogue, which can be done through a chat between two people but also through actions. Like the captain of a ship understands the needs of his crew (by listening) and responds with actions: better food, more precise instructions or more rest. In this example, a 'dialogue', implicit in words but explicit in actions, between a person and a group is clear. To successfully manage this dynamic the key is always the same: listening, making sense of what is being said and understanding the expectations of the other party in order to respond through actions. I hear you, I answer you, and that is why we talk. Part of this seems to be criticized in Varela's administration.

In this regard, and faced with a new chapter in his government, Varela inaugurates a new communication campaign with the slogan "No one can stop us. We con-

tinue moving forward!” This accounts for the need to begin to capitalize on the apparent accomplishments through innovation in discourse mechanisms and storytelling. Following his speech, the President’s Twitter account displayed the launch of the spot claiming his achievements and favoring the continuity of the current model: “With optimism and determination, the Panamanians prove no one can stop us. We keep moving forward! #2YearsForPanama”. Could this mark the beginning of a new government style, more oriented towards communication and public conversation with a renewed narrative? Will digital channels be enhanced and conversation with new audiences renewed? Will this be enough to raise approval rates on time?

2. Economic growth and social development

For more than 10 years we have been hearing about the sustained growth of the Panamanian economy, with some variation depending on the period and positive perspectives for the next five years. According to the World Bank, the average annual growth was 7.2 percent between 2001 and 2013, more than double the average for Central America. Likewise, the Panamanian economy grew 6.2 percent in 2014, 5.8 percent in 2015, and is projected to grow 5.9 percent in 2016. The World Bank, based on the momentum generated by the construction of the second metro line plus the additional traffic generated by the expansion of the Canal, keeps public and private investments at high levels, particularly in sectors

such as logistics and transportation, mining, financial services and tourism.

Despite economic growth in recent years, 26.2 percent of the population is still below the poverty line, and 15.6 percent of the population lives in extreme poverty¹⁰. In rural areas, poverty is over 70 percent and extreme poverty¹⁰ is above 40 percent, with a sector of the population not having access to basic services. This 'paradox' of growth versus development generates all kinds of thoughts. Do household economies grow along with the economy of the country? Why does a country with such an impressive economic growth rate still hold such poverty indicators and social gaps? First, because, as we all know, growth and development are two different aspects and Panama could make an interesting case study with a clear reference: the focus has been on growth rather than development. Is the development model ideal? Does Panama have an up-to-date development model? Moreover, is there an established development model?

Although this is not specifically mentioned in opinion polls, one of the fundamental pillars of this and any Panamanian government will be to address the aspects of development through innovative and well-structured public policies. Several analysts, including former independent presidential candidate and economist Juan Jované, agree that one of Varela's most pressing 'debts' has to do with promoting public and state policies, with a

¹⁰ World Bank <http://www.worldbank.org/en/country/panama/overview>

focus on education, health and justice as the three basic aspects that should help define a course with a long-term vision. In other words, a sustainable development model.

The lack of investment in science, innovation and culture is another aspect that has been identified as frightening in regard to the management –or lack thereof-, of a development model. In this regard, it is well known that the most developed countries spend between 2 and 3.5 percent of their GDP on research and innovation, while Panama does not reach 0.2 percent. According to experts, countries should spend approximately 1 percent of their GDP in encouraging the productive sector to invest in the search and application of knowledge, which directly impacts competitiveness. “Science does not yield results in five years, which is the horizon of national politics. If you invest in it, you have to believe in the future. And we have not been able to convince them that investing in human capital pays more than investing in infrastructure and subsidies,” declared Jorge Motta when he was Secretary General of SENACYT.

3. Challenges and opportunities in the short and mid term

Varela´s government Strategic Development Plan 2015-2019 introduces two key pillars: inclusion and competitiveness, leveraged on five issues such as improving productivity and promoting growth diversification, quality of life, strengthening human capital, infrastructure and environmental sustainability. In several of these aspects the government is asked to be more effective,

while the overall picture is not easy. The low approval rate transforms the stage into a complex arena because, as we all know, here and elsewhere, the government's room to maneuver is directly proportional to the political capital it counts on. Varela and his team should handle the helm with assertiveness and good timing in order to avoid losing credibility and political capital through immediate, accurate and tangible decisions.

As mentioned above, addressing public policies with a development approach, taking advantage of the economic boom, seems one of the most pressing challenges the President has referred to. The government must figure out how to tackle poverty and reduce the social gap that separates the capital from the rest of the country, and perhaps that way being able to build on Varela's long-desired legacy as a referent in social programming. On the other hand, it is to be seen how the public administration decentralization process, which, according to Law 66 from 2015, will imply the transfer of more than 200 million dollars from the central government to the 78 municipalities, is implemented, and whether it will manage to generate a positive impact on local development in the different regions. In addition, as noted above, issues such as decentralization will not only be a matter of execution but also of narrative, as the President has already mentioned it to the members of his administration.

In this regard, he will have the opportunity to capitalize on one of the government's strengths in recent years, which is the delivery of infrastructure projects. While

they do not necessarily play an immediate impact on human development, they do contain a narrative background and can tell the story “we are doing,” or “no one can stop us. We continue to move forward!” as reads the new slogan. In regards to infrastructure, the opportunity is as large as the projects themselves. For example, as indicated by the survey conducted by Dichter & Neira, 78 percent of the population believes the expansion of the Canal’s third set of locks will be beneficial to the local economy, while 65 percent believe it will benefit Panama’s household economies. In this sense, there is optimism, and both politics and the economy usually feed on the ‘energy’. It remains to be seen whether the government will be able to seize the opportunity, listen to understand the beliefs and priorities of the population and manage expectations by delivering actions. In other words, to converse.

According to international rating agency Fitch Ratings, it is expected that the expansion of the Canal will support the continued profitability of the economy and thus the gradual increase of Panama’s per capita income. It also notes that the impact of this mega project represents an opportunity to continue reducing the fiscal deficit and accelerate the reduction of public debt, which represents one more relevant challenge for the government.

Finally, another matter of concern is Panama’s reputation, which in recent years has been impacted by a variety of issues such as the country’s inclusion in the Financial Action Task Force’s (FATF) gray list, the famous

Clinton List and the infamous Panama Papers. In any case, it is still unclear whether any of these issues have had -or will have- any impact on the economy. After the outbreak of the Panama Papers, Indesa changed its growth forecast for 2016 from 5.9 percent to 4.4 percent. It is to be seen how investments will behave, waiting for the issue to stabilize and not causing any stir. This entity indicates that the confidence of entrepreneurs and consumers will partly depend on the measures and reforms adopted by Panama and that this variable will directly affect the results. In this regard, the President said his government “will stand firm against countries seeking to include Panama in lists that affect the country’s image,” and acknowledged that correcting some of the irregularities of the past is taking longer than expected.

4. CONCLUSION

Juan Carlos Varela’s government has suffered a massive decline in approval ratings without even reaching half of its mandate. With less political capital, Varela must take a series of decisions that, hopefully, will have a positive impact on the life of Panamanians. Closing the profound social gap, activating a sustainable development model that takes advantage of economic growth, education, health, justice, poverty reduction, fiscal deficit, transparency and expenses control are just some of the ‘territories’ where he must fight.

On the other hand, it is clear there is a need to abandon this ‘austerity’ bubble that does not seem to be work-

ing, in favor of a more comprehensive communication strategy that publicizes the government's achievements. Varela mentioned it in his speech. The construction of a homogeneous story that occupies the spaces that need to be occupied, meeting expectations and priorities, will be key. To achieve this, it will be important to listen to the mechanisms that, when activated, will provide signals that allow to establish the dynamic of a tangible and active conversation. In other words, meet the demands with the actions that are required and explain them.

Dominican elections 2016: three processes in one and more technology in their organisation.

Iban Campo

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On May 15th slightly more than 6.7 million Dominicans will have the chance to go to the just over 16,000 electoral colleges (voting tables) to elect their presidential, legislative and municipal authorities. After two decades of separate elections, further to the approval of the “Carta Magna” (Constitution) of 2016, the presidential, legislative and municipal elections have once again been reunited and so on the third Sunday in May, 4,106 positions will be elected (members of the Central American Parliament, inter alia).

This whirl of figures makes this year’s elections a challenging event whose organisation lies with the Central Electoral Council (JCE), presided over by Roberto Rosario since 2010, and in which almost 80,000 people will be working, without including the delegates and their alternates which the parties will distribute amongst the slightly more than 4,000 polling stations. To put this into effect, the body has said that it will invest around 3,500 million pesos - around 76.2 million dollars.

Votes will be cast in the 32 provinces and overseas. In other words, the Dominicans from the diaspora may also cast their vote although only for the Presidency and its representatives in the Parliament. 50 % of voters are concentrated in five provinces. Greater Santo Domingo, - which includes the province of the same name and the National District - the capital – goes to make up 31.5 % of them. These are followed by Santiago with 10.3 %, San Cristóbal with 5.5 % and La Vega with 4.21 %. However, special attention must be paid to “province 33”, comprising the 384,523 Dominicans eligible to vote outside the country, representing 5.6 % of the total which, in addition to its own members of parliament, will also mark the presidential ticket.

1. The contenders

Although there will only be eight presidential candidates, the number of parties taking part will be 26. There are two clearly formed blocks, the dominant one being that headed up by the Partido de la Liberación Dominicana (PLD) with which a further 15 parties have become allies to form the Bloque Progresista. The Partido Revolucionario Moderno (PRM) which is competing for the first time as it was formed recently has achieved the support of a further three parties. The others are the Alianza País (ALPAIS), Frente Nacional Progresista (FNP), Alianza por la Democracia (APD), Partido Revolucionario Social Demócrata (PRSD), Partido de Unidad Nacional (PUN) and Partido Quisqueyano Demócrata Cristiano (PQDC).

Results of polls regarding election on 15M
in the Dominican Republic

	Greenberg - Diario Libre 11 April	Mark Penn - SIN 12 April	Gallup - HOY 25 April
Danilo Medina (PLD)	59 %	62 %	63 %
Luis Abinader (PRD)	32 %	29 %	29 %
Guillermo Moreno (ALPAIS)	3 %	3 %	3.2 %
Minou Tavárez (APD)	1 %	1 %	<1 %
Pelegrín Castillo (FNP)	<1 %	<1 %	<1 %
Soraya Aquino (PUN)	<1 %	<1 %	<1 %
Elías Wessin (PQDC)	<1 %	<1 %	<1 %
Hatuey de Camps (PRSD)	<1 %	<1 %	<1 %

The main polls are predicting a victory by Danilo Medina in the first round.

Medina has maintained an upward trend in intentions to vote which has consolidated at around 60 % during the last month. By contrast, support for Luis Abinader has been falling since the first polls in January which attributed around 36 % of votes to him until today when he would only attain 30 %. In turn, support for the minority parties seems to have been reduced to less than 5 % of preferences: there are four candidates who would not attain 1% whilst Minou Tavarez would attain 1 % and Guillermo Moreno 3 %.

Of particular note is the fact there is no direct presence of two historic parties: Partido Reformista Social Cristiano (PRSC) and Partido Revolucionario Dominicano (PRD). The former was involved in various races allied with the PLD and on this occasion it decided to go along with the PRM. The PRD, in turn, after the split that

took place when the PRM emerged, reached a re-election agreement with the PLD and it is its ally in these elections. Without a shadow of a doubt, they are the two major surprises which have led analysts to say that the political parties are not guided by their ideology but rather by the share of power they can negotiate by seeking integration into other groupings.

The PLD starts off as the favourite to make its mark in the elections in all three voting areas. The PRM, which came about with the idea of being the major opposition party and the chance to make a change after 12 years of PLD governments does not seem to have achieved its objective. In presidential terms, Danilo Medina, the present President and the man who is hoping to gain re-election, modifying the Constitution to this end in 2015, has led the latest polls presented by the media in conjunction with firms like Gallup, Greenberg or Penn & Schoen. Its figures stand at around the 60 % mark, ahead of the 30 % at which Luis Abinader, the PRM candidate, has stalled. Guillermo Moreno is the best of the rest, though with a mere 3 % of voting intentions.

2. The process

The Junta Central Electoral (JCE - Central Electoral Board) is the body responsible for organising the elections. In the event of litigation or appeals, it is the Tribunal Superior Electoral (Higher Election Court) which is responsible for dealing with and ruling on them, a new body which emerged after its inclusion in the Constitution of 2010.

It can be said to have been three maxims of the JCE when putting together the process: more efficiency, more security and more transparency. It has not been without criticism and at the final stage the issues have focused on its decisions regarding the observation of the process on May 15th and on the reliability of the processes and teams involved in elector verification, vote counting and the transmission of results to the counting centre.

The big innovation in these elections has derived precisely from technology. When electors arrive at the voting centres and approach the tables to vote, they will be required to provide their ID card to place it in a device which will read a code on the former. The reader screen will display the biometric data of the ID card holder and will determine whether they are fit to vote or not. As an extra security measure and to avoid identity theft, the fingerprint of the elector will be read. This process will occur as from the opening of the colleges at 6 a.m. until they close at 6 p.m.

Then the scanners will come into play for the automated counting of the votes. This was going to be the only counting method, but complaints from opposition parties and requests to the JCE to also include manual counting, have led the electoral body to include double counting for the presidential ticket. As regards the legislative and municipal election, according to the presentation made by technicians from the Board to the directors of the country's newspapers, they will be separated into piles per party voted for, involving a kind of counting.

As far as how the scanners work, the paper tickets in the urns will be issued, numbered and signed by the

chairman of the table. They will then be placed in groups in the appliances which are going to scan them on both sides in a very speedy process. At the end of the scanning, the screen will display results on valid tickets and defective tickets. The numbers of the latter will be displayed on the screen and the officials at tables and party delegates must find the originals and compare the image on the screen with the oriented ticket in order to take the decision as to whether the vote is valid or not and if it is, to determine which party to assign it to in which case it will be marked in the appliance to add up the vote for the option chosen. Once this stalemate has been resolved and the scanning closed, a results' report will be printed which must be signed by officials and delegates before being scanned and transmitted to the JCE counting centre for the consolidation of results.

In view of these issues, assuming respect for the law and regulations, and on the premise that the delegates of the political parties involved have been approving the resolutions and decisions issued by the electoral body, the JCE has decided to open each process to the scrutiny of as many people as wish to observe it and thereby comply with one of the three maxims mentioned at the start: more transparency.

3. The keys

For decades the Dominican elections have been characterised by the idea that there will always be fraud. With the technology deployed on this occasion, identity

theft or counting falsification seem unlikely, although some people believe that the software may have been tampered with or even that the appliances have been hacked to alter the results. In actual fact, the PRM asked to open them to see what they have inside.

It seems that they will be the cause for discussion until the whole electoral process is over. Furthermore, another habitual practise is the cause of controversy: the purchase of ID cards so that electors do not vote. And this is indeed more feasible on the understanding that there is no technology to avoid it. The inclusion in the process of the manual vote in the presidential context leaves room for interpretation of the ticket and even the buying off of party delegates.

The opposition is divided. The PRM tried to become the coordinating axis of a movement called upon to get the PLD out of power, but its idea never took off and this is borne out by the presence of six presidential candidates aspiring to the top post in the Executive in an independent manner and perhaps they could have withdrawn in favour of Luis Abinader.

The PRM is not only experiencing this failure, but also the fact that the results may end up being well below the expectations that had generated when it announced its formation after which a large group of PRD militants abandoned said party to form a government alternative. Neither its candidate nor its proposal seem to have been taken on board by the population at a level to force a second round, something in which the PRMs still believe, out least outwardly. Several of the leaders, starting

off with their presidential candidate, Luis Abinader, are staking everything on the elections and if they come a cropper this could spell the beginning of their end as political actors even though they manage to put forward arguments that allow them to justify the defeat at the hands of aspects beyond their control such as, for example, the skilful use of State resources by the PLD candidate, the current President of the Republic.

The PLD, in turn, if it has been able to handle the internal crisis which emerged between the supporters of Leonel Fernández, the former president of the country, the party's president and the one called upon to be the candidate in view of the constitutional modification, and Danilo Medina who, despite having said himself and through third parties that he would not stand for re-election – it decided to do so by negotiating the modification of the Constitution. The dirty washing has been done at home and everything would suggest –it remains to be seen if resentment is still lingering – that the official candidate will prevail in the elections. This victory must also measure the impact its allies have had and even the candidature of the Vice-president. It is possible that the percentage which the PRM could be lacking – according to the polls – to achieve results similar to previous elections in which it hasn't won are those which the PRD is providing to the PLD on this occasion. And the contribution by the candidate to the Vice-president, currently in the position, Margarita Cedeño, the wife of Leonel Fernández, may prove to be important too. Both

elements could make the difference between elections with or without a second round.

The polls have been showing the tendency that the results could confirm in the presidential elections. hence, the elections in terms of their congress and municipal part become important as they both become scenarios in which the opposition could try and achieve a greater balance of power. Particular attention must be paid to the diaspora and its vote as almost 400,000 of such electors are outside the country.

As regards what will happen in these areas, there is not much certainty in view of the lack of the publication of any polls. This is where, in the event of close results, conflicts could occur with the count and what could be a final process on May 15th may thus be extended into Monday the 16th.

ECONOMY AND BUSINESS

Active Radar: Political intelligence applied to business

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There is no doubt the success of a business entity depends on, among other things, the degree of comprehension of the economic, social and political context in which it operates. Businesses are increasingly vulnerable to fluctuations of surrounding factors; The liquid society in which we live forces us to constantly interact with external aspects that condition us, and the volatility of the current environment makes the ability to anticipate these changes, as well as the impact it could have on businesses and the future of commercial entities, vitally important.

The environment may also be volatile in times of significant economic growth, but, thanks to a wider range

of business opportunities, it is easier to achieve a good result that minimizes external negative impacts. However, this does not happen during times of readjustment in the economic cycle, nor in times of recession or weak recovery—the phase we currently find ourselves in. INE's recent data regarding the first quarter of the year has not been promising. Although national PIB has grown 0.8 percent in comparison to the same period in 2015, Portugal received the second worst result in the euro area (after Greece), and the goals set by the government—the executive branch predicts a 1.8 percent growth in the 2016 state budget—are becoming increasingly difficult to attain.

A business's strategic ability does not rely solely on understanding the country's difficult macroeconomics, but also on the ability to overcome an environment of uncertainty. Thus, closely following political and legislative activity can be a determining factor in overcoming the obstacles such a situation can bring about, later generating improved business results.

That is to say, one of the often-neglected factors that most influence corporate action is the political and legislative sphere. It is nothing new decisions discussed and taken in this area have the ability to directly influence a company's activities, or even affect sector operations. However, the majority of these decisions remain off company radars both during their entry phase and their debate in Parliament, typically closing almost every window of opportunity for commercial entities to proactively participate in the debate—even when it affects

them. If there is a way to anticipate risk, then a chance to react opens up. At this point, the entity goes from taking a passive role to actively intervening to defend its legitimate interests.

Only a small part of political activity—close to 10 percent—reaches the general public, often through sovereign bodies that are not even publicly known. Given this reality, the importance of political intelligence in the world of commercial entities is evident. This stems from the construction of a competitive window built from information on the dynamics of the political sphere that provides the ability to anticipate changes and the various situations that may emerge. There are already many companies and organizations that have enabled this strategic tool to improve risk management and seize opportunities that come their way. It allows companies to increase their level of knowledge regarding the political, social and economic sphere in which they operate, helping them move towards more informed decision making processes and reducing their margins of error. Political and economic intelligence as a business tool is not new, but it increasingly distinguishes the commercial entities that actively participate in the environment in which they operate from those that limit themselves to persisting in their consequences.

Business in Peru after the elections¹¹

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Recent elections have left a divided country that will need to face multiple challenges if it wants to continue on the path of growth. For this prosperous path that has made Peru one of the countries with the highest growth rates in the region to continue, it is necessary to take a critical look at what has occurred in the last elections and understand the lessons from a business point of view and the role employers must adopt from now on.

This article discusses the challenges that the next government, led by Pedro Pablo Kuczynski (PPK), needs to face in order to generate the confidence necessary to

¹¹ These five key issues were conducted within the framework of the meeting “Los negocios en el escenario postelectoral” (Business after the elections), organized by the association “Asociación para el Progreso de la Dirección (APD)”. The panel was composed by Roberto Abusada, director of the Peruvian Economy Institute (IPE), Cayetana Aljovín, executive vicepresident of the National Confederation of Private Entrepreneurial Institutions, Óscar Espinosa, business leader and chief executive of Ferreycorp, Enrique Pasquel, journalistic deputy director from El Comercio. The event was moderated by Luisa García, partner and CEO at LLORENTE & CUENCA Andes Region.

unlock and encourage investment. Under this logic, we have identified five key themes that are crucial for the next five years.

The Challenge of Governance

Even though the reactivation of the economy is the main goal of the next government, there is an underlying theme they will have to comply with in order to fulfill the campaign proposals: ensuring good governance. To accomplish it, there are two key areas on which the next President must act upon.

The first is Congress, where the Popular Force party (led by Keiko Fujimori) holds the absolute majority. They have claimed they will act as the opposition and have not given clear signals of willingness to establish a dialogue with the Executive. In this sense, as noted by Oscar Espinosa, the government must look towards the medium term and adopt a political strategy that is able to face the risk of a “game of thrones” between political forces, which can be detrimental to investments. This fear is mainly based on the interventionist position Fujimori has shown in the last legislative period, as well as the call of other opposition political forces such as the Left, which have even asked the President not to be pro-entrepreneurs.

Social unrest is another potential area for conflict. The political Left and anti-mining movements will adopt a key role in opposing the President. The latter have proved to be well organized and counts with social support through-

out the country, which has allowed them to stop various mining projects. Enrique Pasquel highlights that PPK and his party, Peruvians for Change, do not control a single regional government in the country, and, in the first round, they just won in 46 out of more than 1,800 districts; this would prove the lack of popular base of the current President. That is why the challenge for the new President is to show that he has control over the territory, which will only be accomplished through political operators in remote areas who can serve as mediators.

Elimination of Administrative Obstacles

Meanwhile, Robert Abusada recalled that Peru went from being perceived as a failed state to being a star in Latin America, a result of the economic shift that occurred in the nineties. However, efforts must persist to change the hostile terrain that prevails at some institutions closely related to businesses – for example, the Ministry of Labor and its regulators- but, above all, to eliminate the excess of state procedures that make economic growth difficult. The so-called red tape.

Eliminating administrative barriers should be one of the key goals of the government for reviving the economy. A detailed diagnosis of the situation has already been done, making it no longer necessary to diagnose any further. What is lacking are a series of urgent measures, and acting in a meticulous and effective manner. Cayetana Aljovin – executive vice-president of Confiep- believes it is no longer necessary for each State’s entity to generate

its own resources. Instead, these should all go directly to the public Treasury so there is no incentive to generate income for an institution only. Other key measures include promoting the right incentives for State officials (for example, for those who apply more corrective measures), providing the State with technology to speed up processes and manage to be interconnected, and cleaning the legislative tangle that still exists with about 600,000 rules that need to be reviewed to determine their usefulness.

A clear example of this is the setback in the implementation of Public Private Partnerships during the last government, having been mostly affected by the little legitimacy present in their multiple addenda. In that case, it is necessary for the incoming government to reform ProInversion and establish a plan that allows to filter projects, since many of them are poorly designed, ultimately generating distrust. The same is true of Works for Taxes, a mechanism that, even though it could be exported to other parts of the world, it needs to be simplified.

While many entrepreneurs are optimistic about the arrival of the new President, it is necessary to take advantage of this immediately. PPK should take strategic decisions and promote concrete actions to eliminate bureaucratic barriers. These measures would encourage investment, which, in turn, would promote more growth.

Mining environment

Hand in hand with the eradication of the red tape, another priority is private investment, focused mostly on

large mining projects. This without neglecting social expectations, which keep growing each year and almost always become a source of conflict.

There is already a consensus that Peru is a mining country, which in turn is supported by the vast majority of the electorate having opted for an open and market economy. However, as recalled by Oscar Espinosa, only one billion dollars will be invested next year, whereas 10 or 12 thousand could have been invested. The challenge for the incoming President will be to unblock at least one of the current major mining projects.

For this, a synergy between the State and private enterprise is needed, so that the former is concerned with getting to a place where it is not currently at, while the latter establishes proper mechanics to work with the communities. In general, people expect of mining companies actions that correspond to the State, so, in order for mining to triumph a joint effort between the company, the State and the President must be made, the latter leading the promotion of strategic projects.

An example that was mentioned during the meeting was that of the newly elected vice-president and former governor of Moquegua, Martin Vizcarra, who created an interesting synergy when he linked a mining project to the construction of a highway and a hospital, getting people to ask the company to begin operating so the projects that directly benefit the community could materialize.

Besides, a question mark raised around the rise of political operators who then become leaders of social protests in places where the State is absent, so the in-

coming government will have to exert its leading role and work closely in every corner of the country.

Peru´s Integration in the World

The importance of Peru´s role in the world is passing through unnoticed despite enormous opportunities such as the Pacific Alliance, which has already liberalized the market for Peruvian trade, and the Trans-Pacific Partnership (TPP). Both are ways in which the country could enter into value chains that would positively impact economic growth and replicate what is now seen with Peruvian engineering companies working in Colombia and other countries within the region.

The world has begun to look at Latin America as an area of potential growth and, despite fear and capital outflows, there is still great untapped potential in Peru´s free trade agreements with the major world economies. However, the integration in the global market, which has already been achieved, is still being curbed by the state bureaucracy, yet another challenge for the incoming government.

Private Businesses' Reputation

Although the State has major challenges, such as those aforementioned, employers also have to face this five-year period with a new attitude that appraises what they do and who they are, since it has a direct impact on their business.

Previously, they need to disassociate themselves from bad entrepreneurs. Corruption is another working point, and it is critical that those who have committed a foul act take responsibility and pay for their mistake. That is the only way to be able to differentiate good entrepreneurs from bad ones.

On the other hand, companies need to understand that, even though Peruvians live better than before, people continue to be outraged because of existing inequality. Another important challenge for large, medium and small businesses is to promote development. Other than performing their duties, investing and paying their taxes, they must be excellent employers, be concerned about their employees and their families, and be socially responsible, particularly in regards to education. That is why it is important for them to communicate and share best practices with their stakeholders in a more noticeable and permanent way. Only so will they be able to build a reputation that will position them in a positive light in front of public opinion.

Conclusions for the future

Given the still uncertain political scenario, the next government has to make strategic decisions and promote specific measures to revive short and medium-term growth. One of the great challenges for Peru in this five-year period will be to continue the effort to improve competitiveness, particularly with the goal of being included in the Organization for Economic Co-operation and De-

velopment (OECD). In this sense, productive diversification is essential, particularly diversifying the country's mineral matrix. Agricultural development is also imperative, as it is one of the best ways to fight critical issues such as drug trafficking.

Thus, the key challenges the business sector faces, which directly affect the business climate, are: fighting informality, given that 50 percent of Peru's workforce is informal as well as 60 percent of its economy, which promotes inequality; strengthening the institutions; and, finally, promoting a social agenda clearly committed to the development of the country.

On the other hand, it is imperative to rethink and reorganize the regionalization agenda, which until now has brought more problems (corruption, crime, etc.) than benefits. This reorganization implies, for example, the elimination of shared functions within the State, which avoids a single entity becoming responsible for the problems (something that is particularly reflected in the problem of insecurity); and the restitution of functions to the executive for those entities that have failed to fulfill their role.

Finally, and equally important as it is a major concern for the population in general, is seeking solutions, both from the State and from companies, for the citizen insecurity crisis. This is not only a problem that appears in all surveys, but it is also reflected in some competitiveness reports, according to which Peru is the Latin American country with the most victims of crime. For this, it is essential to fight drug trafficking, an activity

that penetrates the State and the institutions, corrupting them and triggering the violence that we see today.

PFAs and their Reputational Challenge in Chile

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By simply visiting a website and/or finding information randomly, you become aware of the average citizen's negative (uninformed) perception of the Pension Fund Administration (PFA) system. In order to understand their role, a cooperative effort between all the actors involved is needed.

The situation has reached such a level, that even in cases when information released by these entities is positive, as in the case when there is increased profitability in managed funds, it is almost immediately neglected and disqualified by this newly empowered and uninformed citizen.

In this regard, several studies analyze the user's meager level of knowledge on how PFAs work and how their expectations about the system's results are poor, since a large portion of the population believes that they will receive a pension "much lower than their actual salary". It acts like a vicious circle that triggers a resignation process as a result of this situation of ignorance, mak-

ing people less motivated to learn and understand how they can increase their savings.

In this context, 90.2 % of the respondents - who participated in another study by a recognized player in the Chilean pension system- said they know little or nothing about the pension system. 58.8 % of them also said they don't know about the commission that their PFA charges for managing their savings, and a 45.3 % don't know how much money they have saved in their personal account. These records show the profound lack of information that surrounds this industry.

In regards to the communication process, the situation is similar to that of other players such as compensation funds and insurance companies. In these sectors we face the typical case in which the umbrella brand (PFAs) amplifies the existing communicational noise instead of shielding other brands (companies). Despite the individual efforts made by the companies, it is very difficult to fight the adverse communicational scenario that has been created by the sector itself.

In this scenario, it is fundamental for companies to establish a new strategy along with a new communication effort, one that is not reactive but, on the contrary, leads the way with quality and transparent content. In a scenario of proliferation of information, where everything (and everyone) can be quoted, potentially becoming references, it is important to rethink and take, once and for all, the reins of communication.

How do we do it? Assuming communication as the strategic axis of our plan. We have noticed that people

need to understand the system, but have not been able to. That is why the role of the PFAs is to lead the conversation in this process. If there are entities that are working to articulate a closer discourse, greater understanding and empathy is necessary in order to provide retirees and future retirees with what they really need: clear, transparent, timely and graphic information.

This has special relevance when topics related to the satisfaction of citizens' demands become part of the agenda, and when different sectors (including politicians and authorities) call for greater autoregulation and/or proactive and long-term work with stakeholders.

This is where there is an urgent need for companies and entities in the sector to rethink and understand that they need to coordinate actions that originate from and through their business. How is this accomplished? Through stories that incorporate topics that are relevant to those who benefit from the PFAs, in other words, allowing this information to build rapprochement bridges. Taking the example initiated by the global banking industry, we now need a communication model based on information, which we might call pensionable education.

If entities are capable of understanding this as a roadmap that is part of a long-term corporate and union's vision, we would be in the presence of a sustainability strategy that could generate important revenues, for both the companies and their environment.

We understand that when we talk about sustainability we are also making reference to a strategy that allows

us to align the goals of the business with the common good, and, at the same time, with the requirements of the stakeholders. Undoubtedly, this is a new vision that transcends from communication to reputation as a management process, while staying in accordance with the regulatory frame but going a step further. That is, understanding consumers as a relevant stakeholder in their own habitat.

Many may believe that we cannot solve these issues with information and/or education. Nevertheless, our premise is supported when we find out that an important part of the evaluations of the system made by individuals are constructions based on third party information and not on information generated by the system.

To the naked eye the panorama seems very complicated; however, it is important to view it as an opportunity. Today, the conditions are given so that informative gaps between what the entities offer and what the consumer demands become smaller and eventually disappear. Tools such as new technologies, digital platforms and social networks are fundamental to comply and contribute to the above, because they are what brings the concept of pensionable education closer, bringing it out of the advertising field, and giving it purpose and value.

It is clear that, by exposing aspects relative to the performance and operation of the distinct financial products in a transparent and timely manner, as is the case with pensions, companies generate empathy, credibility and loyalty, while strengthening their corporate

reputation and transforming a complicated issue in a competitive advantage over their peers, consumers and regulators.

Reforms 2.0 in Latin America: achieving growth through development

Developing Ideas

The analysis about the economic situation in Latin America has radically changed in very little time. The scenario is now very different from what until very recently was considered as the “golden” or “miraculous” decade. Facing an unprecedented period of growth and prosperity from 2003 to 2013, the current situation is considered by international organizations as “very concerning.”

The decade’s continued prosperity was reflected in the Latin American indexes of growth for each country. If the regional average was significant, with a growth rate of 5.4 % for the period, it is even more impressive when compared to the OECD’s average, which did not exceed 2.3 %.

Contrary to that situation, regional economies have reported relatively low growth rates in recent years, averaging 2 % and 2.5 % of the GDP. This tendency has continued a downward trend, given that 2015 is the third consecutive year of decline and 2016 looks equally bad or worse, as stated by the IMF, which, for the second time this year has lowered its forecast for Latin Amer-

ica. According to the IMF, the total GDP for the region as a whole will shrink by 0.5 % in 2016¹².

The difference in data is significant but not surprising. On the contrary, it was a predictable problem. The reasons behind it are “an unfavorable international environment in the last five years caused by the low prices of commodities, China’s economic slowdown, the rising cost of external financing and the limited capital inflows because of monetary policies in the United States¹³. It is the worst possible scenario for economies that depend on the prices of international markets, specifically on the prices of commodities, since their productive model is based on agricultural exports of one or two products in one or two markets at the most. As a result of this extreme dependency and the fluctuation of international markets, Latin American economies have become extremely vulnerable, which has led to a predictable sharp decline in demand that has had disastrous consequences on these economies. The situation can further deteriorate depending on the state of international markets, on which Latin American economies depend to a large extent, now that “Latin America’s economic growth could be even lower due to China’s slowdown and, to a lesser extent, to the tightening of the financial situation in the United States.”¹⁴

12 Growth forecast IMF, 16/04/2016, <http://www.imf.org/external/spanish/pubs/ft/survey/so/2016/NEW041216AS.htm>.

13 Perspectives for Latin America in 2015 in education, skills and innovation, http://repositorio.cepal.org/bitstream/handle/11362/37445/S1420759_é.pdf?sequence=1.

14 Ibidem.

The main problem is that the economic boom did not bring along any structural reforms that would force a progressive modification of Latin America's production model. Far from it, there has actually been a re-primarization of said economies.

The challenge is not to restore last decade's growth but to achieve development. A structural change in the development model is needed, based on the competitiveness that can be attained through qualified education, infrastructure and technological investment. The goal is to diversify the production model, adding greater value to commodities.

Faced with these challenges, this report will show that the debate is not necessarily based on implementing industrialization, as has been said in recent months. In fact, the industry is not necessarily the answer. What is crucial for any sector is to promote competitiveness, productivity and innovation by investing in human capital (education) and physical activity (infrastructure).

1. Different scenarios within the region

Despite regional data, the truth is that the regional averages do not illustrate the diversity of the whole picture. While there are countries that find themselves immersed in a recession, others continue to grow, although at a slower pace.

Before showing the data by country, at the sub-regional level it seems evident that those countries that are more dependent on China are particularly affected by

the crisis. Changes in its economic model have prompted a decline in the demand of commodities that has affected South American economies. This would explain why the South American countries reveal the worst data, since the dependency on China is greater. The difference with Mexico and Central America is that they heavily rely on the North American market, which shows signs of recovery.

This is why even those economies that show a better performance, such as Chile, Colombia, Peru and Uruguay, are also experiencing an important deceleration. Paraguay is also being particularly affected by the recession, along with Ecuador, whose dollarization represents a barrier to growth given the strong devaluation of its neighbors' currencies. However, the ones that lead the most pessimistic forecasts are Venezuela and Brazil, two countries that are already in a recession and whose negative results affect the regional average.

In the case of Venezuela, the drastic fall in the price of oil has generated a catastrophic economic situation, given that the country's income depends almost exclusively on this resource. The significant drop in oil revenues proves the contradictions and mistakes of the current government, which is being questioned both at the national and international level. The combination of these factors have generated an economic situation that has been described as a humanitarian disaster.

In regards to Brazil, the political factor is key to understand the critical situation that the government faces. Petrobras' corruption scandal has triggered a domino

effect that has reached the President, Dilma Rousseff, and former president, Lula Da Silva. The political uncertainty generated by this crisis directly affects the economic situation, as shown in the abovementioned report, which estimates that the Brazilian economy will drop 3.5 % in 2016 and will recover up to 0.0 % in 2017. The new data represents a downward correction of the projection made in October of 2.5 % and 2.3 %, respectively.

As for Argentina, it will face an important recession in 2016 as a result of the economic management mistakes made by the former government and the readjustments that the current administration will need to make. The overall situation of the region, and of Brazil and Venezuela in particular, explains the negative regional average in 2015 (-0.4 %) and the expectations of virtually zero or negative growth in 2016, according to the forecasts.

The economies further north are also experiencing a downward trend, although there has been some growth. Mexico, the other great economy of the region, displays a slowdown of -0.2 %, although it will grow at a 2.6 % in 2016 and 2.9 % in 2017. As for Central America, Cuba, and Dominican Republic, they have had an average growth of 4 % in 2015.

In conclusion, the entire region has been affected by the commodity crisis, since this is the dominant economic model. The re-primarization experienced in South America, a region especially dependent on the Chinese demand, explains why it has been particularly affected. In this regard, there are economies with greater and

lesser levels of diversification, a factor that influences their ability to face the crisis.

At the same time, depending on how much they export there will be economies more or less affected. The decline in the price of minerals and fossil fuels with respect to food, gives way for countries to be particularly affected by this issue. This explains the difficult situation of countries that export fossil fuels, whose prices are reaching record lows, such as Venezuela, Ecuador, Colombia, and Bolivia. Mining countries such as Peru and Chile are also going to suffer in this new scenario.

Likewise, countries with more diversified economies, such as Brazil, will be better positioned to face the crisis, once it overcomes the political crisis, as opposed to those countries that lack an industrial fabric and practically rely on only one product for their exports, such as Venezuela.

2. Achievements and challenges. Successes and failures. Lessons learned and pending subjects

The question is why are we talking about a difficult situation, a slowdown and even a recession, when truthfully all international organizations agree that “Latin America has experienced notable progress in social and economic terms. It has been a prosperous economic cycle as we hadn’t seen in many decades. We must admit that the region’s economy is emergent within its heterogeneity. The region has changed much over the past 15 years: the poverty level has significantly decreased and there

have been investments in traditional infrastructure and telecommunications. Most importantly, a middle class has emerged and educational coverage has doubled. The region is much better prepared than it used to be.”¹⁵

The response is found in the way growth has been achieved. Certainly, important lessons have been learned and accomplishments made throughout the 20th century, following situations that were difficult to manage. Thus, despite the difficult situation the region faces, the Latin American reality is different. Even though there have been important advances, they are not enough, either quantitatively or qualitatively. A structural change is needed. Indeed, these advances have been achieved thanks to the income generated by a favorable scenario from a primarily extractive economic model.

Nevertheless, only by shifting towards a new productive model will the region be able to compete with other emerging powers such as Asia. To do so it is necessary to achieve economic diversification by investing in knowledge and technology, infrastructure, logistics and services with added value, thus reproducing a circular economy. To the extent that there have been no structural changes, one of the major fears is that the welfare and social changes that have already been achieved cannot be sustained, thus leading to a recession.

Now that commodity prices have declined as a result of the international situation and, more recently, of the

15 Infolatam, Mario Castillo, Head of Innovation Unit and new ECLAC Technologies, <http://www.infolatam.com/2015/10/01/mario-castillo-cepal-la-ralentizacion-economica-va-a-favorecer-la-innovacion-tecnologica/>

Chinese situation, the structural problems of non-diversified economies, whose export products have no added value and where there is barely any local industrial production, have once again become evident. The consequences of this new chapter began to be visible in 2012, when the prices of primary products began to drop, generating a practically mechanical effect characterized by the drastic decline of growth rates in the countries exporting these products, including Latin American ones.

It is not the first time that Latin America faces such a crisis. In reality, these are cyclic crises that have taken place since the second half of the 19th century, when its productive model was configured. The most important alternative approach was the industrialization attempt to replace imports, adopted in the region after the Second World War and in effect until the 1990s. This model showed few results and gave way to an industry subsidized by the state and barely competitive.

Nevertheless, although the limitations of the agro exporting model and the historic experience allowed us to foresee what would happen once the prices of the international market would drop, there are still Latin American governments that consider the commodities market inexhaustible and think they will always be in demand and, therefore, will continue to be a source of income¹⁶. According to this vision, it was a real “temptation” to take advantage of said resources to reduce poverty and

16 Eduardo Gudynas, Estado compensador y nuevos extractivismos. Las ambivalencias del progresismo sudamericano, *Nueva Sociedad*, n° 237, January-February, 2012.

inequality in the short-term through social policies, as it was actually achieved. These initiatives and policies have been carried out by all governments without exception, whether right or left-wing.

The main problem is that this process has not hindered the re-primarization of Latin American economies, and, as a result, the so-much needed structural reforms have been delayed. The consequence is that, while there has been growth, there has not been development. Therefore, despite achievements, the effects have been positive in the short term, but, ultimately, represent a setback in the mid and long term.

The inevitable option is to change the production model. It is not possible to intend to continue living off commodities. Even if there is some will, no economy would allow it. It wouldn't be the most realistic or best option. First, because in the short term, no power will demand the volume of commodities China has demanded in the past decade. Secondly, because, to the extent that this economic model is not sustainable, even in the unlikely event that there was a similar new power, sooner or later a new crisis would erupt, with an added problem, that the rest of the world would have advanced while the Latin American region would lag behind, because of the characteristics of this economic model.

The project of change: achieving development

It is a slow process that requires an active role from the public policies that point towards a more compet-

itive sector. At this time the challenge is to transform the economic model of the 19th century in order to face a 21st century crisis, and there is no room for delaying the reforms. It is essential to build more productive and competitive economies in which innovation primes and where there is diversification of products. In order to guarantee the diversification of the economy, it is necessary to invest in knowledge and new technologies.

The dominant short-term vision has made it more difficult to address the reforms, since they should have taken advantage of the resources when they were available to make investments aimed at modifying the productive model. The opportunities for growth and progress are tied to the need of putting an end to a system that exports commodities with no added value. This has been the key failure of the traditional system, that is why all the improvements have had limitations. According to Mario Castillo, “the region has been able to use the surplus created during the economic boom and reinvest it in funding social policies, education and infrastructures (...) The main problem is that the development of a sector based on the export of natural resources has not been made compatible with a technology sector that adds significant value.”¹⁷

Once again, the reason has to do with a short-term vision, both from the government as well as the private sector. In regards to the public policies that have been

17 Infolatam, Mario Castillo, Head of Innovation Unit and new ECLAC Technologies, 30/09/2015., <http://www.infolatam.com/2015/10/01/mario-castillo-cepal-la-ralentizacion-economica-va-a-favorecer-la-innovacion-tecnologica/>

implemented, it is the government who has pushed the re-primarization of the economy. On the other hand, considering that natural resources have had such high returns without technological investment, the incentive to create technology-based businesses has been minimal.

This is currently being reinvented, and technology-based initiatives are being developed, particularly in certain countries. For example, Chile has implemented a specialization strategy in high added-value sectors, by applying new technologies to traditional sectors and making use of the Internet in the industrial sector and in new sectors associated with biotechnology and manufacturing. Argentina has also made advances in information technology and Mexico and Brazil have important technology clusters in the automotive and aeronautics industry¹⁸. Without a doubt, these are important developments, yet they fail to apply an integral and sustainable vision that governments and society can adopt as a new production model.

Alternative model based on competitiveness to obtain greater productivity

The limitations of the model hereby described are made evident by looking at competitiveness data. The Global Competition Report, 2015-2016, shows that the region has been stagnant for the last five years. However, once again we need to insist on the heterogeneity of the region, and how the competitiveness gap between countries continues

¹⁸ Ibidem.

to widen. Nevertheless, the majority of the countries in the region are in the middle group, in between the positions 50 and 100, with Argentina slightly outside this range at 106.¹⁹

In reality, the index of competitiveness did not vary much during the years of economic bonanza. As indicated, the problems weighing on the region are structural in nature. There has been some growth, but “a weak functioning of the institutions, deficient infrastructures and the inefficiency in the allocation of production factors” have persisted. These deficiencies, that are common to all Latin American economies, explain the competitiveness data, due to a gap in training, technology and innovation, “which limits the advancement of companies and nations towards activities of greater added value²⁰.”

In order to improve this situation, we must analyze the international market and develop the production activities it demands. We must undertake an economic transformation adapted to this new market and the opportunities it presents. This transformation can very well take place without having to change the production matrix, but, in order to ensure diversification, added value and the processing of agricultural products, it will require knowledge, technology, productive infrastructure,

19 INCAE Business School Informe Global de Competitividad, 2015-2016, <http://www.incae.edu/es/nuestros-proyectos/clacds/informe-global-de-competitividad-2015-2016.php>.

20 INCAE Business School Informe Global de Competitividad, 2013-2014, <http://www.incae.edu/es/clacds/informe-competitividad-global-2013-2014.php>

environmental security, energy efficiency, transportation and logistics.

The vision and concept of development goes beyond where to focus the economic activity but, rather, on how it should be done. That is why we need to insist that, in order to implement structural change it is not necessary to abandon exports, or production activity in the primary sector, or concentrating on the secondary sector and achieving a national industry. Economic activity may still be linked to agricultural exports, as long as these products have added value and cover the needs of diverse markets.

Perhaps the key lies in the concept of circular economy, more than in the productive area where it is necessary to invest. Indeed, it is necessary to implement this economic concept in order to ensure a better use of the region's natural resources. By investing in the abovementioned areas it is possible to prevent natural resources and minerals, such as gold, copper and silver, from leaving the region the way they are extracted. The result is not only to avoid the risk of depletion, but also to avoid using them in other sectors to ensure the creation of a circular economy, since everything is exported the way it is extracted.

This economic model will put an end to a debate that up to this moment has not contributed great solutions, since until not so long ago the discussion revolved around economic activity and whether the path to development should focus on agricultural or industrial activity.

In this sense, the challenge is not to dump all efforts in creating an industrial fabric and conducting a systematic process of industrialization, as has been emphatically pointed out. The key is not whether the economic activity concentrates on agriculture, industry or services, but whether it is applied under the criteria of a circular economy fed through knowledge, technology, infrastructure, etc., thus allowing any economic activity to be sustainable. In other words, the changes to be implemented do not necessarily involve the transformation of the production matrix, but rather, its reform.

This means Latin America can be competitive and develop a sustainable economy while maintaining predominantly agricultural and mining economies. No matter what the economic activity is, it is vital to add significant value to products and guarantee margins of diversification, and for that, knowledge, technology and the qualification of the labor force are fundamental.

Another key aspect in this regard, as recognized by Alicia Bárcena, Executive Secretary of ECLAC, is regional integration, which multiplies the possibilities of expanding markets and provides negotiating power to the region before extra-regional powers such as China, which has been the region's most important client throughout the past decade.

However, despite the advances made in reaching numerous bilateral commercial agreements and agreements between subgroups of the countries, the region has not been able to integrate more deeply. The potential of the regional market has not been developed yet, and

only a few companies participate in the value chains of the region, which, in turn, limits their participation in global value chains. The interregional commerce is currently 17 %, whereas in Europe it is at 68 %, in Asia at 52 % and in Africa at 10 %.

One of the reasons is the problem of connectivity, due to the lack of infrastructure. It is necessary to improve airports, ports, road and railway transportation, as well as other infrastructures such as waterways and sanitation. The development of a common regional market allows companies to exploit at a larger scale, allowing them to effectively compete with global actors.

The international market must keep its central role in the regional economy

It is not necessary to give up the primary sector or exports, but it is vital to end the productive mono-dependency as well as the “Chinese dependency.” This requirement forces Latin American countries to be more competitive, productive and innovative, for which it is imperative to invest in human capital (education) and physical capital (infrastructures). These investments demand partners, which is why they cannot ignore extra-regional powers. Therefore, Latin American economies must continue to be immersed in international commerce and follow the demand of potential extra regional clients, whether they be China, Europe or the United States.

The key lies in modifying the terms of commercial relations. “What we have learned up to now is that

world trade or receiving direct foreign investments is not enough." The advantage is that the relationship between Latin America and possible partners, such as China, becomes "more symmetric". Under this new relationship, "a model that is more competitive, introducing global chains that create more added value, more technology, more innovation and better jobs" is favored, as stated by Enrique Garcia, Chairman of the Development Bank of Latin America (CAF).

Diversifying products and markets for exports and creating greater added value is a fundamental task. Under these criteria it is necessary to analyze the international market and to develop productive activities according to each market. In this regard, agricultural production should not be given up, because under these criteria it can be a competitive alternative.

Therefore, agriculture and agroindustry is a market filled with opportunities for the Latin American region, especially for societies with a consolidated middle class, or those where it is growing, as in emerging economies, and it is mostly urban. This social group demands a diverse and quality diet. That is why we observe an increase in the demand for proteins and processed foods, greater quality requirements and special properties.

The service sector is another area of great opportunity that the region cannot miss, as is the case of tourism focused towards the middle class. It has an extraordinary potential that has barely begun to be exploited.

Thanks to this new market and the numerous opportunities it presents, we can understand the economic

transformation that can take place without changing the productive matrix, yet ensuring diversification, adding value and processing agricultural products, which will require knowledge, technology, production infrastructure, transport and logistics.

The complexity of change. Institutional reform

The reform the region needs to carry out is extraordinarily complex and transcends the strictly economic environment. Its implications call for institutional reforms that strengthen the institutions, along with low levels of corruption, an efficient government, and macroeconomic stability, key factors that explain why Chile is the most competitive country in the region and “enjoys sound accounts and low levels of public debt.”²¹

State reform is essential to guarantee the functioning of public policies in Latin America, given its lack of appropriate skills²². According to the report “A more effective State. Capacities for the design, implementation and learning of public policies,” the reality shows that there is a lack of efficiency in some initiatives implemented by the state and that public policies are a failure. They fail because of the way public policies are implemented and because of the state’s lack of required capabilities.” The same report indicates certain capabilities that guar-

21 Global Competitiveness Index report 2013-2014.

22 Pablo Sanguinetti, A more efficient State. Capacities for the design, implementation and learning of public policies. http://www.scioteca.caf.com/bitstream/handle/123456789/755/reporte_economia_desarrollo_caf_2015_estado_politicas_publicas.pdf?sequence=1&isAllowed=y

antee the process of design, implementation and policy learning:

1. A bureaucracy that acts as a transversal actor in the design and implementation of policies, which requires able, honest and motivated employees.
2. Public purchases systems must act as a crucial tool in the implementation stage. A good system is required, one that provides the necessary supplies both in quantity and quality and at the right time.
3. Ensure a direct and constant relationship between the citizens and the bureaucracy in order to promote accountability.
4. Transform policy experiences into knowledge and learning experiences that increase effectiveness. To achieve this, monitoring and evaluating public policies becomes key to understand the potential for change of the implemented initiative.

The state's reform is as important as economic reform to bind the efficiency of its operation. So much so that, if the governmental reform is not efficient, the results of the economic reform will not be complete.

3. The iberian peninsula facing the challenge of economic transformation of latin america

In a moment as crucial as this for the region, Portugal and Spain may find new opportunities, directly and indirectly. At this time of reforms, Latin America needs services to carry out this process, which can be understood as a new opportunity, in many ways. Indirectly, it

means contemplating the opportunities that exist, especially in Portugal, in order to become an intermediary between Latin America and the Pacific region. Certainly, for many analysts, it appears that the future America is in the Pacific.

There are several relationship pathways with the Asiatic continent, from Latin American countries to the Pacific basin, either through the Pacific Alliance, or through the TPP – Trans-Pacific Partnership, or a more mature business and value-added relationship with China. This is a space that the Iberian Peninsula can take advantage of, particularly with regard to relations between China and Latin America.

Everything indicates that relations between both regions will be solid, intense and long-lasting. The change of the Chinese development model and its orientation toward domestic demand and toward the service sector clearly affected the Latin American region, with decreasing demand for raw materials and commodities in general. However, the Asian giant continues to represent an opportunity for Latin America in the face of the possible new markets that may open in this new stage of China's growth.

This Eastern presence in the region undoubtedly affects the Iberian Peninsula. But it is no reason to fail to see new opportunities that arise. China's increased presence can contribute to the development of the region and has generated opportunities for collaboration and synergies with Portuguese and Spanish stakeholders, both public and private, on multiple levels. Knowledge

of the reality, language and culture of Latin America, as well as the presence of Portuguese and Spanish companies in the region, can be a great help to increasing the prosperity of Chinese investments.

However, opportunities should not be seen only through China, but in directly competing with this giant. In Portuguese, entrepreneurs analyse business opportunities abroad, particularly in Latin America, most recently seeking to deepen the markets of Cuba and Mexico, just as examples. In this sense, in the country, the Agência para o Investimento e Comércio Externo de Portugal [Portuguese Agency for Foreign Investment and Commerce] helps to promote internationalisation of Portuguese businesses, by sharing information and synergies about the markets in which to invest, especially for various Latin American countries.

Given the recession in Brazil or Venezuela, there are countries that have substantial growth data, especially if we compare them with those of the eurozone. The countries of the Pacific Alliance, to which we must add Bolivia (whose economy will grow approximately 3.8 % this year) manage to maintain their indices (Mexico will grow 2.4 %, Colombia 2.5 %, Peru 3.7 % and Chile 1.5 %). These are economic areas that continue to present business opportunities, even in cases where China's presence is very substantial.

At this crucial moment of necessary transformation of structures, the region, in accordance with its needs, must seek to equip itself with infrastructures, qualified training and technology, tools and sectors in which we

can be particularly competitive. If we add the use of common languages to this, Portuguese for Brazil and Spanish for the other Latin American countries, the advantages increase, especially in the field of education.

4. Conclusions

The outlook has deteriorated, the problem has been diagnosed and the solutions are clear, according to all international organizations. Therefore, it is urgent to assume the abovementioned structural reforms, although we must carefully consider how they will be applied²³. It would be a serious mistake not to give importance to the need of minimizing the social costs adjustment policies will entail in the short term, as it can be counterproductive. It could generate a wave of social and political opposition that could deactivate the viability of the reforms.

The goal is to maintain a balance that is difficult to achieve, as it involves reconciling social and economic concerns in the short term with growth objectives in the long term. This balance could be achieved by gradually implementing the reforms and guaranteeing the safety of the most vulnerable social sectors, who, thanks to the commodities boom, had managed to improve their situation. The problem is that not all states have the same margins or possibilities of implementing structural reforms. These are urgent for the region as a whole, but

23 BID, Macroeconomic report for Latin America and the Caribbean, 2016, http://www.iadb.org/es/investigacion-y-datos/detalles-de-publicacion,3169.html?pub_id=IDB-AR-120.

particularly for those countries that are in recession, making it impossible to cushion the social costs that will ensue.

The challenges are numerous and extremely complex, but unavoidable. Latin America must find a solution for a burden that has managed to provide prosperity in the short term, but is a bona fide problem in the medium and long term.

Export diversification in Latin America

Developing Ideas

The extraordinary profits obtained between 2002 and 2014 can no longer justify the perpetuation of export-oriented economies, which usually center around one or two products. The economic dependence resulting from this model creates extraordinary vulnerability, as it means Latin American economies are at the mercy of fluctuations in commodity prices in the international market. A lower degree of product diversification or higher degree of export concentration to a few markets leaves an economy overly exposed. For this reason, all international agencies, without exception, agree this economic model is unsustainable.

The IDB, for example, not only agrees with this opinion, but also warns of an additional problem because, as reported, efforts to diversify exports over the past decade have revolved around commodities and their derivatives—hence the persistent vulnerability to downturns in international prices.²⁴

After years of economic growth thanks to the high prices of raw materials, a period of crisis and sharp decline

²⁴ IDB, Annual Report, “Trade and Integration Monitor 2014: Facing Headwinds” <http://www19.iadb.org/intal/intalcdi/PE/2014/14879es.pdf>

in prices for these products in the international market has begun, which explains the contraction—or, depending on the country, crisis—in Latin American economies.

Regarding the decline in global demand, if annual import growth rates from Latin America's main trading partners during the boom period (2003-2008) and stagnation period (2011-2014) are compared, it becomes evident the annual growth of demand from China dropped by 46 percentage points; the intraregional and that European Union demand fell by 26 points; and U.S. demand declined by 10 points.²⁵

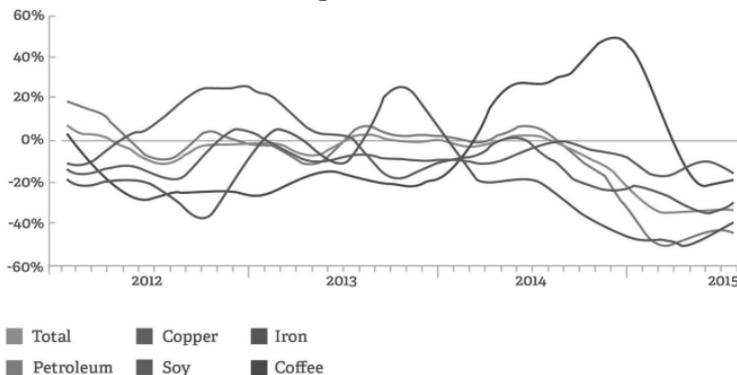
In fact, this international market contraction has caused a fall in prices (-15 percent) and, furthermore, has meant there has been no increase in export volumes to offset this price decline. This has made 2013-2015 the worst triennium for regional exports since 1931-1933, during the Great Depression.²⁶

In light of this situation, the future of Latin American economies depends on their diversification in order to open up new markets. However, this requires an extraordinary effort, involving a change in the economic model and the very concept of development. It is not about selling more raw materials in order to avoid relying on one or two products; in reality it is about breaking away from this type of economy by changing its structure altogether.

25 IDB, "Trade and Integration Monitor 2015: Double-dip - Latin America and the Caribbean Facing the Contraction of World Trade," <https://publications.iadb.org/bitstream/handle/11319/7243/Monitor-2015-La-reca%C3%ADda-Am%C3%A9rica-Latina-y-el-Caribe-frente-al-retroceso-del-comercio-mundial.pdf?sequence=1>,

26 Ibid.

Main Latin America and Caribbean Exportation Product Prices
 (Annual rate of variation reflecting quarterly average,
 % age 2012-2015)



Source: IDB Trade and Integration Sector and IMF data.
 Note: The total corresponds to the weighted average of the basic product price indexes included in the IMF's estimate.

Economic diversification should guarantee independence from raw materials, which are characterized by an increasingly unfavorable trade relationship, low added value and minimal growth in productivity. Hence, export diversification means changing both the economic model and very concept of development. This requires investing in training, technology and innovation, all with the objective of producing more competitive goods with greater added value to enable economic—and, consequently, export—diversification.

Due to this overdependence, it was predictable and unsurprising, given fluctuations in the international market, the sharp decline in demand had a serious and immediate impact on vulnerable Latin American econo-

mies. This is a situation that may worsen in response to the international market, upon which many Latin American economies depend, since “economic growth in Latin America could be even lower in light of a greater slowdown in China and, to a lesser extent, quickly tightening financial conditions in the United States.”²⁷

Transformation towards a new production model

The main problem is no structural reforms were made during the boom years to gradually change the Latin American production model. Far from it—these economies have continued to focus on raw materials. It is true that significant achievements were made during the high price cycle, such as reducing poverty, addressing inequality and growing the middle classes through social policies, which have been financed by tax revenues from the raw materials boom in recent years.

This social transformation, in turn, has opened up new markets and extraordinary economic opportunities, which have further contributed to the process of development and prosperity. However, due to the extent to which some of these policies have focused on welfare and were achieved thanks to profits derived from extractive economies rather than structural changes, their sustainability is not guaranteed.

With international market prices falling, these policies cannot be financed and there is a risk the social

²⁷ I Report: “Latin American Economic Outlook 2015” http://repositorio.cepal.org/bitstream/handle/11362/37445/S1420759_es.pdf

improvements made could experience a setback. With it, the continued advances and progress that drove this prosperity would be paralyzed, or could even take a step backward. The cases of Ecuador, Trinidad and Tobago and Venezuela are particularly significant; In these countries, tax revenues from the oil and gas sector accounted for over 40 percent of total revenue from 2010 to 2013, which explains why these governments have currently been forced to implement major spending constraints on social policies implemented in previous years.

It will be possible for the region to compete with other emerging powers if it transitions to a new production model. For this, it is necessary to diversify the economy by investing in technology, expertise, infrastructure, logistics and value-added services, thereby producing a circular economy. The end result would be to create a structure that, through these profound changes, would allow for diversification in the productive system, adding greater value to raw materials. Therefore, it is not about relinquishing either international market or exports, but, on the contrary, about becoming more competitive within it.

1. An old model that still prevails today: extractivism and limited export diversification

The current challenge lies in transforming an economic model that has been applied since the mid-19th century to manage a crisis specific to the 21st century. It is imperative to build more productive and competitive economies

with broad product diversification, in which innovation is at the forefront. This implies a need to invest in expertise and new technologies to ensure diversification for a competitive economy.

Symptoms of the system's obsolescence

The structural problems of economies with limited diversification, whose export products lack added value and have minimal local industrial production, came to light when raw materials prices declined due to the international situation and, more recently, the situation in China. The consequences of this new phase were first seen in 2012, when commodity prices began to fall—and with them, almost automatically, the growth rates in the countries exporting those commodities, including the ones in Latin American.

The ongoing boom of the past decade was immediately reflected in Latin American growth rates. The regional average was already high, given that the rate during this period was 5.4 percent, but it became even more striking when compared with the OECD average, which did not exceed 2.3 percent.

In light of this situation, in recent years regional economies experienced relatively low growth rates of between 2 and 2.5 percent of GDP, and the trend is sliding downward, since 2015 has been the third consecutive year of decline, and in 2016, Latin American and Caribbean countries will show a contraction in their growth rate of -0.8 percent—a greater decline than 2015 (-0.5 per-

cent)—despite very diverse behavior between countries and sub-regions.²⁸

This trend is related to the decline in exports, as both variables evolved in parallel, which highlights the region's overdependence on raw materials and the fluctuations in their prices in the international market.

Certainly there may be amendments to this outlook, such as one from the IMF²⁹ that indicates positive economic growth, predicting a 0.1 percentage point improvement in the region for 2016 and 2017 and a 0.4 percent reduction in the contraction expected for Latin America this year. It also predicts an increase in expected growth for 2017 of 1.6 percent. This growth, although good news, is actually due to circumstantial issues inconsequential to bringing about structural change.

There is no doubt the region as a whole is experiencing this downturn, given that raw materials form the dominant economic model's basis. However, some economies are more diversified than others, and, undoubtedly, those that are more diversified are better placed to manage this crisis. The extent to which economies are affected will also depend on the particular commodities they export.

Latin America and the Caribbean Goods Exports.

28 Economic Survey of Latin America and the Caribbean, 2016 <http://www.cepal.org/es/publicaciones/40326-estudio-economico-america-latina-caribe-2016-la-agenda-2030-desarrollo>

29 <http://www.infolatam.com/2016/07/19/el-fmi-mejora-las-perspectivas-de-crecimiento-de-latinoamerica-en-2016-y-2017/> 19.07.2016.

(Annual rate of variation and billions of USD, selected periods).

	Billions of US\$			Rates of variation			
	2012	2013	2014	2002-2008	2013	2014	Accrued up to June 2015
Latin America and the Caribbean	1092,3	1090,5	1060,0	16,7	-0,2	-2,8	-10,9
Latin America	1071,5	1070,2	1040,9	16,6	-0,1	-2,7	-10,8
Mesoamerica	414,4	423,9	442,4	10,2	2,3	4,4	-2,3
Mexico	370,8	380,0	397,5	10,4	2,5	4,6	-2,2
Central America	43,7	43,8	44,8	9,0	0,4	2,3	-3,4
Costa Rica	11,4	11,6	11,3	10,3	1,5	-2,6	-16,0
El Salvador	5,3	5,5	5,3	7,6	2,8	-4,0	6,0
Guatemala	10,0	10,0	10,8	10,9	0,5	7,8	3,1
Honduras	4,3	3,9	4,1	13,6	-10,4	4,7	4,4
Nicaragua	2,7	2,4	2,6	17,5	-10,3	9,7	-2,6
Panama	0,8	0,8	0,8	7,3	2,7	-3,0	-14,8
Dominican Republic	9,1	9,6	9,9	4,1	5,5	3,6	-16,3
South America	657,1	646,4	598,5	22,1	-1,6	-7,4	-17,7
Argentina	80,2	81,7	71,9	18,2	1,8	-11,9	-17,9
Bolivia	11,8	12,2	12,9	31,7	3,3	5,6	-30,3
Brazil	242,6	242,0	225,1	21,9	-0,2	-7,0	-14,7
Chile	77,8	76,5	75,7	23,5	-1,7	-1,0	-12,2
Colombia	60,1	58,8	54,8	21,1	-2,2	-6,8	-31,2
Ecuador	23,8	24,8	25,7	24,6	4,6	3,6	-26,8
Paraguay	7,3	9,4	9,7	18,4	29,5	2,4	-17,6
Peru	47,4	42,9	39,5	26,1	-9,6	-7,8	-15,8
Uruguay	8,7	9,1	9,2	21,3	4,1	1,0	-15,1
Venezuela	97,3	89,0	74,0	23,5	-8,6	-16,8	n. d.
The Caribbean	20,8	20,3	19,1	24,3	-2,7	-5,5	-14,9
Bahamas	0,8	0,8	0,8	10,3	-2,0	4,6	-34,6
Barbados	0,6	0,5	0,5	13,2	-18,7	1,4	-7,5
Belize	0,4	0,4	0,4	10,6	2,2	-13,6	2,4
Guyana	1,1	1,1	1,1	7,0	0,0	8,8	-0,8
Haiti	0,8	0,9	0,9	11,8	13,9	3,8	n. d.
Jamaica	1,6	1,5	1,5	13,8	-9,9	-1,8	-12,6
Surinam	2,6	2,4	2,1	29,5	-6,6	-10,4	-8,8
Trinidad and Tobago	13,0	12,8	11,8	29,9	-1,6	-7,5	-18,3

Source: IDB Trade and Integration Sector, with data from INTrade/DataINTAL and national sources.

Note: N.D. means there is no available data.

In line with the current international market situation, the slump in oil and mineral prices has been sharper

than that of food. This explains the plight of countries that export fossil fuels, whose prices are reaching record lows, such as Bolivia, Colombia, Ecuador and Venezuela. Mining countries such as Chile and Peru will also suffer in this new scenario. However, it must be noted that, beyond the differences between countries and their exports, there is a generalized decline, as shown in the table above.

The year over year performance of goods exports in the first half of 2015 shows further decline in regional exports. For the 24 Latin American and Caribbean countries for which information is available, 20 recorded negative growth rates, with the most affected being South American countries (-17.7 percent), as has been mentioned.³⁰ Similarly, countries with greater economic diversification, such as Brazil, can cope with the crisis better than countries that virtually have a single export product and barely any other exports or industrial fabric, such as Venezuela.

30 IDB Trade and Integration Monitor 2015: Double-dip; Latin America and the Caribbean Facing the Contraction of World Trade, <https://publications.iadb.org/bitstream/handle/11319/7243/Monitor-2015-La-reca%C3%ADda-Am%C3%A9rica-Latina-y-el-Caribe-frente-al-retroceso-del-comercio-mundial.pdf?sequence=1>. The aggregate 2.8 percent fall in goods exports from LAC in 2014 took the nominal total to US\$1.06 trillion. The aggregate result incorporates variations between different sub-regions and countries. Growth was observed in Mexico (4.6 percent) and Central America (2.3 percent), with improved performance over 2013, and more intense contractions than the previous year in South America (-7.4 percent) and the Caribbean (-5.5 percent). Of the 26 economies included in Table 1, exports fell in half of them in 2014. The countries with the highest growth rates were Nicaragua (9.7 percent), Guyana (8.8 percent), Guatemala (7.8 percent), Bolivia (5.6 percent), Honduras (4.7 percent), the Bahamas (4.6 percent) and Mexico (4.6%). The steepest declines were seen in Venezuela (-16.8 percent), Belize (-13.6 percent), Argentina (-11.9 percent), Suriname (-10.4 percent), Peru (-7.8 percent), Trinidad and Tobago (-7.5 percent), Brazil (-7.0 percent), Colombia (-6.9 percent), El Salvador (-4.0 percent) and Jamaica (-1.8 percent).

The level of dependence on the Chinese economy also explains the fact that certain economies are more affected than others. South America is more dependent on the Chinese market, and therefore its economic indicators are worse than those of Central American countries and Mexico, whose economies depend more heavily on U.S. demand, which is currently starting to enjoy a certain degree of economic upturn. These and other reasons show that, although the region faces a difficult and adverse situation, not all countries are affected the same way. This can be seen in the data for GDP growth, which reflects the diversity characteristic of the region.

It is not the first time that Latin America has faced a crisis of this nature. In fact, cyclical crises have been occurring since the second half of the 19th century, the period in which this production model was established. The most important alternative proposal was an attempt to industrialize through import substitution, adopted in the region after World War II and enforced until the 1990s'. It was a model that yielded poor results and resulted in a very uncompetitive, state-subsidized industry.

Although limitations in the agro-export model and historical experience allowed us to anticipate what would happen when international market prices fell, there are still governments in Latin America that believe the market for raw materials is inexhaustible and there will always be demand. In line with this viewpoint, it was very tempting to leverage these raw materials to help reduce

poverty and inequality in the short term through social policies, including welfare measures.

These initiatives have been undertaken by most governments in the region, without exception, regardless of political leanings. The fundamental problem is that, with this, they have continued to promote a focus on Latin American economies' primary products, which has prevented diversification and, consequently, export diversification. Conversely, we have seen the opposite trend, such as with soybeans in Argentina, whose high prices favored the monoculture of this product.

This predominant yet shortsighted vision has made it doubly difficult to address necessary reforms, because the best time to make strong investments aimed at changing production models was when there were resources available to do so.

According to Mario Castillo, head of Innovation and New Technologies at ECLAC, "the region has managed to use some of the surpluses of this boom to reinvest in social policies, human resources training and infrastructure... Its main weakness is that it has not been able to develop a sector based on export of natural resources sufficiently compatible with a technological sector that brings added value."³¹

There are two fundamental reasons for this and they have to do with, once again, the predominance of both governmental and business shortsightedness. In regard to the public policies implemented and as has already

31 <http://www.infolatam.com/2015/10/01/mario-castillo-cepal-la-ralentizacion-economica-va-a-favorecer-la-innovacion-tecnologica/>

been pointed out, it is the governments themselves who promoted the economy's focus on commodity export. In addition, considering the natural resources sectors have yielded such high returns without technological investments, incentive to create technology-based companies has been much lower.

It is not possible to delay reforms further, even though this requires a change in mindset. It is imperative to build more productive and competitive economies with broad product diversification and in which innovation is at the forefront.

2. It is necessary to diversify the economy in order to diversify exports

Export diversification and increased productivity are the chief pending issues. According to ECLAC, only five products, all primary, accounted for 75 percent of the value of regional shipments to China in 2013. Chinese investment in the region reinforces this pattern, since between 2010 and 2013 almost 90 percent of its investments went to extractive industries—namely mining, oil and gas operations.

Stagnation of the value chain

ECLAC's latest annual report, "Foreign Direct Investment (FDI) in Latin America and the Caribbean 2016,"³² states that in the past 15 years, the average relative weight of

32 <http://www.cepal.org/es/publicaciones/40213-la-inversion-extranjera-directa-america-latina-caribe-2016-documento-informativo>

natural resources in the total flows of FDI increased from 16.6 and 17.1 percent in the 1990s' and 2000s', respectively, to 22.3 percent between 2010 and 2014. During that four-year period, US\$170.555 billion entered the region as FDI toward all sectors of natural resources, going into operations carried out by major global transnational mining corporations.

According to Executive Secretary of the Economic Commission for Latin America and the Caribbean (ECLAC) Alicia Bárcena, “our region, which could have taken better advantage of the natural resources boom, had not advanced in developing value chains by the end of this upsurge cycle.”

The best example to demonstrate the limitations of this model is the comparison with China, which, even as an importer of metals purchased in Latin America, is able to sell them for a higher value because it has invested in refining and smelting, thus moving up the mining and metallurgy value chain.

This is also true for copper, a metal China buys from Latin America and sells elsewhere, since the country has applied an industrialization strategy in which it processes copper and exports it as a finished metal, with consequent value added to the goods.

Thus, as stated by the General Secretary of ECLAC, “China has a medium- and long-term industrialization policy, one that seeks to provide greater added value to raw materials. Even when not producing, it is adding value to raw materials purchased and accumulated. We already have these raw materials, so we do not need to

import them—we could implement an industrial policy based on our large reserves of natural resources.”

In fact, the region possesses 66 percent of global reserves of lithium, 47 percent of copper, 45 percent of silver, 25 percent of tin, 23 percent of bauxite, 23 percent of nickel and 14 percent of iron. However, China’s participation in refined copper production amounts to 34.8 percent of the global total, versus only 16 percent for Latin America and the Caribbean—the region that continues to lead copper production in mines.³³

This, as has been said, is just one example that can be generalized to a trend supported by regional data. According to this data, when commodity prices were at their most stable, there was no diversification whatsoever. In fact, the countries that entered new markets and offered more products were still primarily focused on raw materials. To this it must be added that, ever since the onset of the crisis and contraction in international market demand, there has not only been a drastic decline in traditional export products to the same long-standing clients, but that those initiatives aimed at new markets have been paralyzed.³⁴

The contraction of the international market compels structural changes. During the decade of growth, it was sufficient to export traditional products (raw ma-

33 <http://www.cepal.org/es/noticias/impulsar-la-industrializacion-cadenas-valor-es-crucial-aprovechar-recursos-naturales-la>

34 IBID, 2015, <https://publications.iadb.org/bitstream/handle/11319/7243/Monitor-2015-La-reca%C3%ADda-Am%C3%A9rica-Latina-y-el-Caribe-frente-al-retroceso-del-comercio-mundial.pdf?sequence=1>

terials in a concentrated basket) to traditional markets, as well as China. At present and in light of shrinking international demand, it is indispensable to change export supply and seek new markets. In other words, it is necessary to offer value-added, diversified products in new commercial spaces.

3. New possibilities for a different market require diversification of value-added goods

Investment aimed at adding value to raw materials will contribute to an essential diversification process envisioned in the new U.N. sustainable development model.³⁵ The mining example graphically illustrates the possibilities that lie in changing the economic model, while still exploiting raw materials.

Towards a competitive model

The goal is not to recover the growth of the past decade, but rather to achieve development. Structural change is needed in the development model, which must be based on competitiveness, and this will be achieved through education, infrastructure and investment in higher technologies, with the objective of diversifying the productive system in order to give greater value to raw materials and, ultimately, become more competitive in the international market.

³⁵ Horizons 2030: Equality at the Center of Sustainable Development, ECLAC, <http://www.cepal.org/es/acerca-de-la-agenda-para-el-desarrollo-post-2015>

The options inevitably lead to changing the production model, since it is not possible to continue to live off raw materials. This would neither be the most realistic option nor the best.

Firstly, because there are no prospective powers on the horizon to demand a similar volume of raw materials as China, for example, has over the past decade. In fact, the global economic slowdown persists and all forecasts confirm this downtrend.

Secondly, since this economic model is not sustainable, even in the unlikely event a similar new power were to surface, sooner or later we would return to a situation of crisis like the current one, but with an added problem: while the rest of the world moved forward, Latin America would have remained behind thanks to this economic model.

Commitment to a sustainable and inclusive development

Undoubtedly, current market requirements also compel us to change the yardsticks for measuring prosperity. For a long time development has been measured quantitatively. Accordingly, GDP was a major benchmark.

For several years, though, this has not been enough; first of all because the concept of development has changed, and secondly because in order to achieve this development other factors—such as competitiveness—are needed. This development concept purports to be fundamentally sustainable and inclusive, and to this

end it is essential for achieving economic diversification through competitiveness.

Using data from the 2015-2016 Global Competitiveness Report as a reference, it is evident economic growth, even if spectacular, is not enough, since it does not guarantee sustainable and inclusive development. Comparing data on growth with data on competitiveness highlights this issue, because we see that despite positive GDP data, the region has stagnated over the past five years. Considering Latin America's intermediate position in relation to other countries of the world, it is interesting to see that its competitiveness index hardly changed during years of high growth. Thus, despite its growth, "weak institutional functioning, poor infrastructure and inefficient allocation of production factors" have persisted. These weaknesses, which afflict Latin American economies as a whole, account for the competitiveness data because the disparities in training, technology and innovation "prevent many companies and nations from moving toward higher value-added activities."³⁶

36 Global Competitiveness Report, 2015-2016, CLADCDS, <http://www.incae.edu/es/nuestros-proyectos/clacds/informe-global-de-competitividad-2015-2016.php>. According to the regional ranking, the positions are as follows: At the top is Chile (35), followed by Panama (50) and Costa Rica (52). Mexico and Colombia are closely behind the top three, improving by four and five positions, respectively. The respective progress of Colombia, +5 (61*); Mexico, +4 (57); Uruguay, +7 (73); and Honduras +12 (88) have been highlighted. 11 countries show regression: Chile, -2 (35), Panama, -2 (50); Costa Rica, -1 (52); Brazil, -18 (75); El Salvador, -11 (95); Argentina, -2 (106); Nicaragua, -9 (108); Bolivia, -12 (117); Guyana, -4 (121); and Venezuela, -1 (132). Three Latin American countries are experiencing dramatic declines this year: Bolivia, Brazil and El Salvador. All three are suffering from the breakdown of institutions and instability in macroeconomic performance. At the bottom of the region are Venezuela (132) and Haiti (134).

Taking some of the small and medium economies in the region as a reference point, it is true they achieved competitive positions in the world market even during the most recent export stagnation. However, export growth was not due to supply of new products, but instead to the same long-standing product supply being exported to new markets. Most countries in the region have not made significant progress regarding diversifying their products in search of new demands.

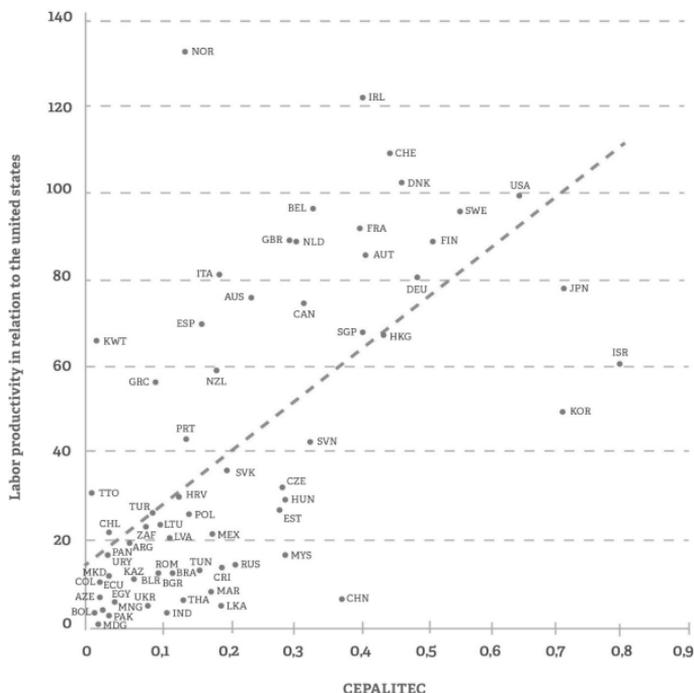
For this, major investments in technology will be needed to achieve the required levels of productivity, which, in turn, will make the region's products competitive in markets with sustainable demand. This is a requirement that continues to be a challenge when we take the regional technology sector's state of affairs into account.

Technologic transformation: the true challenge

The starting point is not easy if we compare data to countries like the United States. To close the productivity gap between the region's countries and the developed world, it is necessary to incorporate activities and sectors with higher technological intensity into the productive structure of countries that are lagging behind.

The following graph shows the relative productivity of different countries compared to the United States alongside a measure of technological intensity (CEPALITEC), which combines information on high-tech exports, patents, research and development expenditure and the weight of engineering industries in value-added manufacturing.

Selected economies: Relative labor productivity in relation to the United States and technological intensity index, 2012.



Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of United Nations Commodity Trade Statistics Database (COMTRADE), United States Patent and Trademark Office (USPTO), United Nations Educational, Scientific and Cultural Organization (UNESCO), Organization for Economic Cooperation and Development (OECD), Ibero- American Network of Science and Technology Indicators (RICYT) and ECLAC.

Note: CEPALITEC is an unweighted average of three indicators with values standardized between zero and one: medium- and high-tech exports as a % age of total exports (high-tech exports according to the Lall classification); the number of patents per million inhabitants; and spending on R&D as a % age of GDP.

Latin American countries are concentrated in the lower left corner of the graph, reflecting low technological intensity and low relative productivity. Their productivity levels reflect the greater weight of natural resources when it comes to sustaining productivity as compared to human capital.³⁷

The comparison demonstrates that the transformation, although essential, should only be carried out in the medium and long terms, as it involves a change in mentality. The vision and concept of development goes beyond where economic activity should be focused and to the way in which it should be carried out. It is therefore worth insisting that, for the required structural change to take place, it is neither necessary to abandon exports nor production activity in the primary sector, nor to concentrate development on the secondary sector or on developing a national industry.

Productive matrix reform

Since the 20th century, the debate has been based on whether economic activity should focus on export of agricultural products or development of a national industry. Current challenges are different; the solution does not necessarily involve the introduction of industrialization.

Economic activity may remain linked to the export of agricultural products, while export products must have

37 IBID, 2015, <https://publications.iadb.org/bitstream/handle/11319/7243/Monitor-2015-La-reca%C3%ADda-Am%C3%A9rica-Latina-y-el-Caribe-frente-al-retroceso-del-comercio-mundial.pdf?sequence=1>

high added value and be addressed to a variety of markets. It is not necessarily about changing the production matrix, but about changing the economic model based on diversifying the economy and providing value-added products. This requires education, technology and infrastructure, which, ultimately, would make export diversification possible.

Perhaps the key area for investment lies in the concept of a circular economy more than in the productive sector. Indeed, it is necessary to implement this economic concept in order to ensure better use of natural resources in the region. By investing in these areas, it is possible to prevent natural and mineral resources—such as gold, copper and silver, among others—from leaving the region in their raw form.

The goal is not only to avoid depleting reserves of raw materials, but also to prevent them from being used in other sectors to ensure the creation of this circular economy because, to date, everything is exported in the exact form in which it is extracted. This concept of economy allows us to leave behind an ongoing debate that thus far has not provided substantial solutions, because until recently the discussion revolved around whether development should be focused on agricultural or industrial economic activity.

In other words, the changes to be introduced do not necessarily imply a transformation of the productive matrix, but rather its reformation. This means that Latin America could be competitive and develop a sustainable economy while maintaining prominently agricultural

and mining economies. But whatever the economic activity is, it is necessary to add value to the products and ensure diversification margins. To achieve this, knowledge, technology and a skilled workforce are essential elements.

Regional commercial integration

Another key aspect in this regard, as recognized by Executive Secretary of ECLAC Alicia Bárcena, is regional integration, because this would multiply the potential for expanding markets and give the region negotiating power, in this case with extra-regional powers such as China, the region's main client during this past decade.

However, in more general terms, despite progress in achieving numerous bilateral trade agreements and agreements between subgroups of countries, the region has not made the necessary progress in terms of integration. The regional markets' potential is undeveloped, and only a few companies participate in the regional value chain, which, in turn, limits their participation in global value chains. Interregional trade is currently at 17 percent; In Europe it is at 68 percent, in Asia 52 percent and in Africa 10 percent.

One reason for this is the connectivity problems caused by lack of infrastructure. Improvements in airports, ports, road and rail transport and other infrastructures, such as those relating to water and sanitation, are necessary. The creation of a common regional market would allow companies to take advantage of a larger

scale, helping them compete against global players more effectively.

4. Latin American economies have to keep looking outwards

There is no need to renounce either the primary sector or exports, but it is essential to end the productive mono-dependence and “China-dependence.” This will require more competitive, productive and innovative economies that, in turn, require investment in both human capital (education) and physical capital (infrastructure).

New system of commercial relations

For all these investments, partners and extra-regional powers are needed. In line with what has been said, Latin American economies should continue to focus on international trade and follow demand of potential extra-regional clients, such as China, Europe or the U.S., very closely. The key is to change the terms of trade relations. “What we’ve learned so far is that world trade or receiving foreign direct investment is not enough—more must be done to fully maximize that trade and investment,” said Enrique Garcia, President of the Latin American Development Bank (CAF). This necessarily means the relationship between Latin America and its potential partners, including China, must be “more symmetrical.”

In this new relationship, “a more competitive model, one involving integration in global chains with more

added value, technology, innovation and job creation of better quality,” would be favored, continued Garcia.

Diversification and aggregate value: new challenges and opportunities

Diversifying export products and markets while adding value to sales abroad is a fundamental task. Under these criteria it is necessary to analyze the international market and develop the productive activity this market demands. In this regard, agricultural production should not be renounced, as under the proposed criteria it could be a competitive alternative.

Consequently, agriculture and agro-industry comprise a market full of opportunities for Latin America, especially for countries with a consolidated or growing middle class, such as predominantly urban emerging powers. This social group demands a diverse and high-quality diet, and it is for this reason an increase in demand for protein, processed foods, increased quality requirements and special properties has been observed.

The services sector is another area of great opportunity the region cannot afford to miss, and, like tourism, it is also focused on the middle class. It has extraordinary potential, but has barely begun to be exploited.

Economic transformation must be understood in light of this new market and its numerous opportunities as a transition that could well take place without changing the production model, but that must ensure diversification, value addition and agricultural product

processing, for which knowledge, technology, productive infrastructure, transport and logistics will all be essential.

COMMUNICATION CHALLENGES

The regionalization of DirComs: between dependency and autonomy

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Latin America and the Caribbean face a tougher reality than they did just a few years ago. Growth prospects are poor and it is likely that the gradual deceleration of China's economic activity will contribute to keep low prices on raw materials. However, the complexity of the situation does not modify the attributes of a region that, some time ago, earned itself a place on the global market.

Undoubtedly, Latin America's political stability has triggered a decade of economic growth, which, in turn, has attracted foreign investment, favored industry diversification and prompted the internationalization of local companies. The 59 financial operations that have moved approximately \$17,200 million in the first quarter of 2016, are a sign of the optimism reigning in the region.

Both the internationalization and expansion of companies have brought about changes in their corporate structures in order to respond to an increasingly complex and geographically diverse market. Matrix schemes were created and replicated according to specific regions

and markets. That is how business structures for Latin America were born, consisting of a corporate core, support areas and country directors.

The matrix concept by region and sub-regions responded to the need for cross-disciplinary managers and for replicating good practices. Within this framework, it was necessary to count on a leader who would bring in a global approach, handling the communication needs of the region as a whole while, at the same time, supervising local implementation.



However, this role is still being consolidated within the organization: his duties and functions continue to evolve, as well as his interactions with the rest of the company. The regional Dircom must face the general challenges of his job, earning himself a place at the ne-

gotiation table, but he must also meet the challenges that arise from the position itself and the still heterogeneous idea of the region.

Breaking up with the Sui Generis of the position

The newness and, to a certain point, the large scope of the position, generate confusion, hindering the empowerment of the DirCom. Moreover, the regional structure establishes a new reporting line for each country that did not exist before. In that sense, the period of connection and recognition of the position could be long.

It is important that the DirCom defines his functions, team and communication lines with the rest of the organization from the beginning, in order to get integrated into the daily structure of the company more easily. Sharing the regional plan and rapidly involving the teams in each market makes the sui generis become one more piece of the puzzle.

Using coordination as a management tool

The independence between operational management and the communication efforts of the companies is one of the realities that regional DirComs will face within their role. In regional communication departments local tasks must coexist with regional reports in order to be able to make recommendations from a global business point of view. However, opposition arises as employees refuse to recognize their failures for fear these may transcend to the corporate level.

Within a complex matrix structure, coordination is key to the success of the regional strategy. A regional vision including common denominators that bring the company closer to its stakeholders must be one of the Dircom's priority tasks.

Those responsible for ensuring a regional positioning have created communication policies that allow to define reporting lines for operational and communicational incidences, parameters that determine whether or not they should be reported to the corporate level, regional action plans to be implemented locally, and management and measurement indicators that are strictly aligned with business objectives.

Contribute in order to influence

Since the purpose of the regional DirCom is to have a voice and a vote in the local strategies and be able to intervene in critical processes, he needs to demonstrate that his position exists to facilitate the tasks for the various business units, that is, he must position himself as a tool at the service of the company. Dircoms are tempted to fall in a line of reporting and approvals that will generate resistance and end up stigmatizing their function and associating it with oversight. However, if the regional team contributes with content and specific tools, local managers will see them as allies and allow greater interference in the day to day operations and strategic vision.

Balancing dependency on the matrix

The success of positions such as these greatly depends on the grade of autonomy they are granted. Large corporations have managed to develop a structure that responds to regional business objectives, which, in turn, is led by a communications director who works autonomously from the matrix but in a consistent manner, executing plans that help leverage results in the individual markets. The global communications headquarters develop the policies, the storytelling, the pillars of action and the speech, but it is the regional leader who is responsible for adapting them to the local realities.

This arrangement allows the DirCom to customize the local plan depending on the needs of the CEO, the limitations of the market, the information environment, the regulatory framework and many other contextual aspects that determine the communicational tasks.

However, this situation is not necessarily replicated in other corporations. Generally, the DirCom is limited by having to report constantly and implement plans that work well for the matrix but are inefficient for the individual countries, either because of their peculiarities or because of limited resources.

High dependency leads to a slow decision-making process and to the low status of the DirCom, who looks like an intermediary without any decision-making power, encouraging markets to reward the preceding situation.

Don't neglect strong local teams

Unfortunately, the regionalization of the communication practice has been confused with the need to eliminate or reduce local teams, thinking that strategies can be effectively implemented in different territories from a single hub, with the added excuse of a common language. Precisely, the regional DirCom needs to “fight” for his job to be respected and provided with the appropriate resources, particularly at the local level. Instead of generating savings, the regional position must provide strategic focus so that the local capacities can succeed.

Generate a shared vision of success

The unfinished business of communication managers continues to be measurement, which becomes more complex when we talk about regional results. Nevertheless, when defining metrics for more than one country and acting as a region, there is higher incidence on local results and the practice becomes aligned with other areas, using the same language at the negotiating table. This allows for the DirCom to gain ground, as well as establishing a dialogue about local performance based on objective criteria.

Managing internal diplomacy

One of the greatest challenges, if not the greatest one, regional DirComs face is the management of internal diplomacy, that is, managing the relationship between

those who report to them and those they report to. Undoubtedly, the tension between them is one of the consequences of having created a regional position. Nevertheless, the challenge for DirComs is to position themselves as indispensable for the business, and to generate indicators that are linked to country and corporate goals.

DirComs are engagement orchestrators who have in their hands the possibility of generating positive dynamics between collaborators, allowing greater productivity and closer proximity to the stakeholders, turning the business relationship into one of trust. In short, DirComs' survival and success depends on their ability to consolidate the regions as productive business units aligned with corporate goals.

When companies are laid bare: the challenge of corporate communications

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Since the beginning of the century, almost everything has changed in the communications industry: messages, channels and audiences. Message quality has improved, channels have multiplied and audiences have become empowered. Consequently, communication professionals have had to reinvent themselves to respond to the technological transformation and evolving stakeholder concerns. Many communication directors recognize it is difficult for them to contextualize and prioritize, often feeling somewhat confused about how to navigate a boat that, not long ago, was stable and manageable.

The internet, transparency issues, the population's attention deficit, an every-growing information overload, overregulation, citizen oversight, globalization, the changing role of organizations in society... This vortex of relentless change and developments make the corporate communication team's work much more difficult when establishing a suitable strategy for their organization, one that must simultaneously adapt to changes and remain in line with corporate interests and values.

If we set aside the debate about tools and channels and simply expect them to keep evolving since the specifics are passing trends, we believe it would be useful to compile, in a single analysis, the concepts shaping the future of corporate communications in Spain and other Western societies in the medium and long terms. However, all these concepts are derived from a paradigm shift that, similar to tectonic plates, has shaped and modified the ground we used to walk upon. The initial base assumption is taken from the idea of communication as a conversation between the company and its publics and its evolution from monologue to dialogue; today, companies are more aware of the benefits of listening to and interacting with their audiences. Nevertheless, the paradigm shift—the revolution—is taking place now, with organizations, companies and the private sector in general integrating into public life in an unprecedented manner, transitioning from a secondary role to a leading one.

The positioning, influence, involvement and participation of companies in public spaces is exponentially increasing. This is partly due to the organizations' own

interests, as they are willing to play a more active role with their audiences. It is also due to the gap left by the public sector in responding to the demands of society and citizens, who now feel empowered to demand active participation from companies in solving the problems of the world.

Taking into account the scenario we have outlined, we have identified 10 trends that are shaping and will continue to shape the path of corporate communications in coming years, regarding both how to address these changes and internal organization. Our suggestions are as follows:

1. Learn to live with “naked company syndrome.” The feeling of loss of control over information is much greater than ever before. Today, information flows in and out so fast that many companies feel naked because any embarrassments are publicly shared, and they are not able to “stop” it. The companies that learn how to operate in this permanent state of “nakedness” will be able to focus on more important dilemmas, and companies can execute controlled blasts to protect their borders by launching plans to improve information transparency. The public will find out eventually, so why not get ahead of the story?

2. Give holistic responses to reputation challenges. A company’s reputation does not take internal organizational charts into account. Given the transversality of issues, which can start with a tweet and end up in court, the way organizations address issues that arise must be equally transversal. Limits that, until recently,

used to separate the marketing, corporate affairs, legal, communication, etc. departments are withering away. Some companies are creating positions such as reputation manager, who is involved in all the areas that are not business and depend on third parties. They are also creating permanent coordination committees to evaluate and decide on appropriate responses, aligning the company around a single message.

3. Be more creative and sophisticated. It is clear that communications have gained weight within organizations in the last two decades, and this has generally translated into a bigger budget and more resources. However, even if it seems paradoxical, its widespread use has also standardized processes and trivialized its contributions to corporate results. The result of this is even more demand from senior management for greater sophistication in communication. This is the case with information and intelligence services, as organizations increasingly rely on their communication teams for subsequent analysis of context and business risks.

4. Show some soul. Companies' corporate values have taken on a significance never seen before. Their values turn into stories, into a corporate narrative that should be told emotionally. Consumer engagement is also done from the point of view of organizational history, with the corporation standing behind the product. Companies should not have a problem mentioning the civic values they defend or for whom or what it is willing to fight alongside its consumer-citizens. This is where communication teams take on the challenge of constructing a

story and establishing the best channels in which to tell it while simultaneously creating the ideal conditions to convey it to the public in the best possible way.

5. Define the playing field. The information overload we face and the speed at which conversations and topics change are a constant temptation for many companies that want to be present in several places at the same time. This behavior does not contribute to improving reputation, however; On the contrary, it probably results in a loss of corporate identity. On the other hand, companies that choose a specific area and focus on it, developing interesting and attractive content and listening to the related communities while maintaining a homogeneous discourse, will manage to come out stronger than before.

6. Refine your communities. The information age makes every product and service accessible to a greater number of people than previously imagined. This is why a growing difficulty exists for companies, who must try to limit the audiences they want to target. Traditional stakeholders should be segmented in much smaller groups; Companies will have to find the communities that could be interested in their content, product and services, then narrow down their channels to what will best reach them. Otherwise, they will only succeed in creating noise about their brand.

7. Turn the intangible tangible. Equally important to creating a reputation is knowing how to measure its impact. The communication field is increasingly developing metrics that provide rapid and accurate insights into the impacts of any given action. ROI and traditional return

measures require new, scientific, constantly adjusted mechanisms in order to quickly and clearly determine if a given activity is working or, on the contrary, if and how it is failing. Precision is the key element.

8. Act, act, act... and then tell. Nowadays, consumers are judges of the content they consume and the products and services they are introduced to. That is why experience will be essential when communicating with audiences. Sharing values, visions, missions and other attributes will not make sense unless previous beneficial actions have already been established. Talking without taking action is no longer an option.

9. Carry out meaningful CSR actions. Citizens have been demanding social responsibility from companies for more than a decade. However, developing good ideas for the community has no meaning unless it is accompanied by a coherent justification. If a brand enters into territory where, by nature, it does not belong, it will probably be labeled an opportunist. Therefore, CSR actions should be aligned with business objectives and be understood and shared with all stakeholders, from employees to final consumers.

10. Create collaboratively. Undoubtedly, one trend that keeps growing among companies, even beyond communication departments, is the collaborative creation processes, enriching the dynamics that stimulate inspiration and the development of innovative elements. To test this trend, we are applying it here: We ask all communication directors and experts to participate in the co-creative process and let us know what trend you believe will be

shaping communications in the next decade. Use the #com-creation hashtag in your response.

Today, protecting and promoting reputation is a great asset for businesses. In the years to come, we anticipate reputation to be the most relevant factor in making companies sustainable, and it will play an important role in income statements as well. Ethical behavior, coherence, emotion, transparency and responsibility are already a part of corporate DNA and will be key in the future. Communication teams, directors and consultancies face the arduous internal and external task of helping companies reach these new corporate communication standards.

Territories and communities, new communication barriers

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They say this is the year of “digital transformation”. Communication, reputation, public affairs and marketing experts know that this phenomenon is far from new. This process of change has been referred to by various names over the last decade, with more or less success and to a greater or lesser extent. So, what has changed now? Why does it seem more important?

This is probably –as this is a mere hypothesis– due to the evidence showing that the aforementioned change is not only technological and involves means, tools and

channels; but is also becoming part of the culture of our society, modifying its patterns of behavior and shared values. It is precisely because of this that it may be now when its real, disruptive and transformative impact on various fields of our daily lives, businesses and social and political lives is being enhanced.

The contents of this paper mainly cover the cultural essence of the change that the objective of communication is undergoing in all organizations due to the aforementioned “digital transformation”. In fact, it is an urgent call to substitute certain mental frameworks³⁸ with others which enable us to be relevant in our operations given this new context.

In recent years, we have overcome the challenge of managing the new channels to engage stakeholders within the media and social networks. Through tests and experience, we have managed to adapt ourselves to a much more demanding communication operative framework as regards processes and resources.

But, in most cases, we have merely applied the concepts provided by mass communication. An ineffective mental framework for network communication, based on large-scale, real-time and global-reach personal interaction. A model promoted by Internet for our century, replacing the previous model enhanced by TV and Radio in the last century.

³⁸ Carol Dweck, Professor of Psychology at Stanford University, highlighted the importance of “mental frameworks” in the field of management in her book: *Mindset: The New Psychology of Success*, Random House Publishing Group, 28 Feb. 2006

Concepts such as “audience”, “public” or “target” show an understanding of communication which no longer meets our reality. The ideas behind these terms require us to use communication as a one-way process, which starts at the company and ends in the “public” without any further return beyond questionable impact figures.

These words threaten us culturally, with their values and associated practices, preventing us from moving beyond hitting the “target” in a mass of demographic profiles (“public”), which is assumed to be waiting for our messages in a passive manner (“audience”).

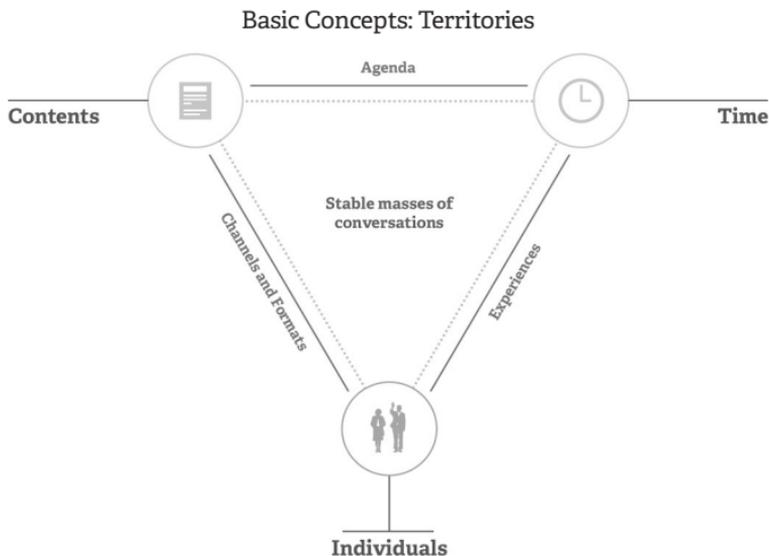
This is no longer an accurate representation of reality. These “publics” are not anonymous people anymore. They have public profiles on social networks and show their faces and names. They are not passive “audiences” anymore, but active participants. And if we exclusively focus on hitting these “targets” we will only be able to attract their attention. A necessary first goal, but not enough to receive feedback and be recommended by the people who expect answers in a context of hyper-transparency.

We need new concepts which help us adapt the culture of corporate communication to the current culture of social communication. These “territories” and “communities” shall help us get closer to this goal.

1. Concept of “territory”

As communication experts we seek that the brand we work for (whether corporate, commercial or personal)

finds its place in a “conversational territory” where the communities of participants are active.



Source: own elaboration

As communication experts we seek that the brand we work for (whether corporate, commercial or personal) finds its place in a “conversational territory” where the communities of participants are active.

This territory, understood as “masses of conversations”, is defined by certain “contents” exchanged between “individuals” in a stable manner over “time”.

In order to become a manageable reality, this exchange of contents between individuals is structured around certain “channels and formats” both digital and analogue.

As regards time, there will be an “agenda” of opportunities to attract the attention of individuals, which shall be mainly promoted by third parties, but also led by our brand.

On the other hand, the relations with individuals over time will translate into “experiences” which will result in emotional connections, which we will seek to somehow link to our organization, its members, products or services.

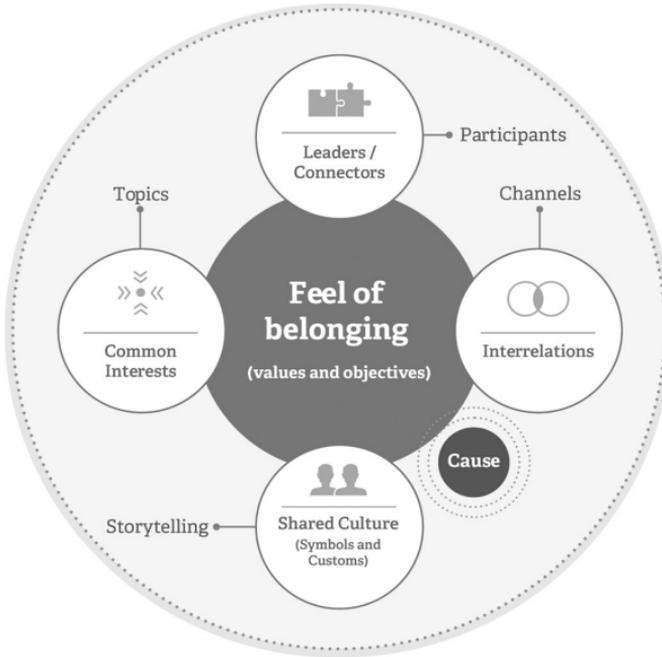
This concept of “territory” helps us develop communication from a social basis, promoting coexistence and adaptation to an environment that does not belong to us. A place in which every space has its value, as long as we act as decent neighbors, favoring quality over quantity. A place to establish relations and promote conversations by sharing valuable contents for its inhabitants. An environment in which we seek to co-create remarkable experiences for the people that we care for.

2. The concept of “community”

As communication professionals we seek that the brand we work for reach a certain amount of influence in those ‘stakeholders’ communities” that live in one or more territories.

This community is defined by the “sense of belonging” shared by the people it who make it up, linked to common “values and objectives”, which become particularly important when they take place in a shared “cause”.

Basic concepts: Communities



Source: own elaboration

The effectiveness of our communication is directly related to our ability to identify the communities with which we share values, objectives or causes in a legitimate manner.

In order to be accepted and recognized by these communities, we will need to do it through real people who shall act as “connectors” between the organization and the “participants” which co-lead the community.

Our influence potential in the community will depend on our capacity to adapt ourselves to their “culture”

of symbols and customs, ensuring that our “storytelling” matches theirs.

But it will also depend on the resources we allocate to establish a constant “interrelation” between our organization and the members of the community in question, using as many “channels” as possible to develop these connections.

Finally, it is here where we connect with the concept of “territory”, we need to share certain “common interests”, around which the community will structure the conversation on specific “topics” linked to their shared values and objectives.

When communication is carried out from a “community” point of view two phenomena take place which align us with the cultural change that the digital transformation is entailing.

The first and foremost makes us humanize every single thing we do, empowering the people who make up the identity of our organization.

The second and equally important forces us to optimize our surveillance and intelligence systems to be able to initiate our communication not corporately, but based on the values, objectives and interests of the individuals with which we are related. This will be the only way to achieve effective results.

3. Breaking down territories: art and innovation

Now, let us put the theory into practice with two highly different territories and check how they work in a real

test. Let us analyze “Art” and “Innovation”. Both cases, spaces for stable conversations.

As previously noted, there are three main points which define a territory (“contents”, “time” and “individuals”), which are translated into three types of dynamics (“agenda”, “experiences” and “channels/formats”). Let us see how all these concepts work in the daily life of territories.

Contents

In the domain of “Art”, the category of “contents” would include documentaries such as “Exit through the Gift Shop”, analyzing Banksy, or “The artist is present”, which studies Marina Abramovic, or others focused on the daily rhythms of life at museums, like the brilliant work “National Gallery” by Frederick Wiseman. Beyond the interest that the territory might arouse among audiovisual artists (meta-creation), it is the museums that have recently developed contents to enhance this category, with cases such as the series of MET (Metropolitan Museum of Art of New York) audio commentaries known as “The Artist project”.

If we take a close look at our second territory, “Innovation”, in the field of “contents”, we can find audiovisual storytelling works such as Intel’s web series “Look inside”, which tells short innovative stories in which several entrepreneurs and initiatives use the brand’s technology to change the world but we can also find reference books such as “Creative intelligence”³⁹ by Bruce Nussbaum.

39 Bruce Nussbaum. *Harnessing the power to Create, Connect and Inspire*, Harper Business. Creative intelligence. 2013

Channels and formats

If we combine “contents” with “individuals” we find the channels and formats level, discovering a basic element of the structure of the territory. From the point of view of “Art” this would range from magazines such as “Aesthetica”, “Dazed and Confused” or “Matador” in Spain, to creation portals like Nowness or even the use of increasingly important social networks as regards artistic exchange –Instagram or Snapchat–.

Regarding the “Innovation” territory, the “channels and formats” level involves platforms such as Big Think, reputed magazines like Fast Company or Wire and portals such as Mashable, but also phenomena like the TED Talks or contents-creating companies which are really close to us like BBVA Innovation Center.

Agenda

Contents and time combined create a new level: the “agenda”. In the territory of Art, this leads us to great fairs like ARCO in Spain, ART BASEL in Switzerland and FIAC in Paris, but also to specific dates throughout the year which can become important events over time, such as the opening of art galleries, which in Madrid became the Madrid Gallery Weekend.

At the same time, the agenda of innovation takes us to annual celebrations like the World Creativity & Innovation Day which takes place on April 21, or events carried out by brands that were mentioned on the channels and

formats level, like the very Ted Talks or the contents developed by a company like the BBVA Innovation Center.

Experiences

Lastly, “time” is related to the most critical element of any territory, the one that takes into account “individuals” and the way in which they organize themselves in stakeholder’s communities. In this relation we can find the “experiences” level, where concepts such as emotion, memory and learning are developed. In the case of our two test territories, this would lead us to talk about communities such as Urban Art, creators, critics and lovers of video art on one hand and technologist, geeks or creative individuals on the other.

A company that wants to build a storytelling in a specific territory needs to be able to add value legitimately taking all the analyzed elements into account and through each of the levels that make it up. In this sense, the leading companies have understood that, contrary to the attempts to become part of large overcrowded territories (as illustrated by our previous examples), an intelligent strategy would seek to build a storytelling in smaller territories, whether it is by penetrating into the original territory (urban art in relation to Art, digital transformation versus innovation) or, especially, thanks to territories’ intersections. This is what happens with strategies of territory appropriation as the one carried out in the U.S. by Intel in collaboration with Vice through its award-winning “The Creators Project”, which links the

two abovementioned examples (Art and Innovation) in order to find a more specific and manageable territory to dominate the conversation.

4. Building a community

As previously mentioned, the “individuals” group links territories with the element that gives them their true meaning: the communities within them. Using the aforementioned examples for the territories of Art and Innovation, let us see how a feature inherent in both is built: the creative community. People who belong to this community find their “sense of belonging” in a “common objective”, which is understanding the fact that searching for new mental associations and ideas will improve their lives and that of others. Based on this goal, which implies the activation of a series of “values”, revolve four concepts:

Leaders and connectors

Well-known individuals with the capacity to set trends: artists like Banksy or Murakami, technological celebrities such as Mark Zuckerberg or Steve Jobs, but currently also chefs like the Roca⁴⁰ brothers or David Muñoz and young entrepreneurs with a lower public profile as the ones included every year on the MIT Technology Review.

⁴⁰ If you wish to find additional information about the Roca Brothers, please follow the link: [Deconstruyendo el Territorio de Marca de un Banco Global: Narrativa, Protagonistas y Valor Compartido](#), Article published in *Developing Ideas*, November 2015

Interrelations

The relations established among the members of the community through specific channels lead us to traditional creativity processes such as briefing and muse and artist approaches or new relations like Scrum.

Common interests

The emergence of topics which set new trends depending on the exact moment when they take place is what makes a community no longer associate the creative concept to an individual work and now links the aforementioned field with co-creation processes and cultural recycling in postmodern art.

Shared culture

The set of symbols and customs of the creative community ranges from icons such as the light bulb to concepts like advertisings for festivals within the marketing domain or phenomena such as brainstorming.

Beyond this huge community structure, it is necessary to identify the thrust force behind it. This cause is not a static element, but dynamic and external factors may impact the activation of a community and mobilize it. In our example, the creative community of Spain found a cause to fight for in the rise of cultural VAT and the whole creative community rose up to fight against cases of lack of freedom of expression such as the cases

of Chinese artist Ai Weiwei or the Iranian director Jafar Panahi.

Understanding how the communities in these territories work and how the latter are built –the space where conversations take place– is the first step in order to create a specific storytelling for the brand that we work for (whether corporate, commercial or personal). This storytelling should connect with the communities which are already part of the aforementioned conversational ecosystems. In the end, it is a matter of listening in order to talk, always adding value, but under a new framework.

Towards the digital transformation of communication

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In the late 1960s, one of the intellectual creators of the Internet, J.C.R. Licklider, imagined a perfect symbiosis between man and computer oriented towards facilitating communication between people. His ideas propelled the project ARPANET, a precursor of the network of all networks.

In Licklider's vision, people would form communities "not based on a common location, but on common interests," sometimes working "in small groups" and others "independently", but in both cases, the group of communities would be as big as the interactions they would be able to support ("field-oriented programs and data")⁴¹:

41 "In Memoriam: J.C.R Licklider (1915-1990)" (<http://web.stanford.edu/dept/SUL/library/extra4/sloan/mousesite/Secondary/Licklider.pdf>)

“[...] What will on-line interactive communities be like? In most fields they will consist of geographically separated members, sometimes grouped in small clusters and sometimes working individually. They will be communities not of common location, but of common interest. In each field, the overall community of interest will be large enough to support a comprehensive system of field-oriented programs and data [...]”⁴².

Half a century later, that vision has transformed the way humans relate to one another across the entire planet. From the web to social networks, mobile applications, the Internet of Things and virtual realities, changes in the world of business, politics and culture are accelerating.

The so-called “digital transformation” affects everyone, including us, communication, marketing and public affairs professionals. It is clear that, in order to help our organizations earn the favor of their stakeholders, we can no longer use the same old practices and work tools. It is crucial to understand the challenges we face and find the solutions that will allow us to achieve our goals. This is the question we address in this article.

This article is a shared effort by two distinct voices, Sergio Cortés, founder of Cink, an expert in innovation and digital transformation; and Iván Pino, head of the

⁴² “[...] online interests communities will be the communities that lay on a common interest and not on a common localization [...] those who reach a deeper interaction will have been chosen based on their interests and common objectives rather than random geographic proximity. Communication will become effective and productive, thus, more pleasant [...]”

Digital Area at LLORENTE & CUENCA. They discuss the three greatest challenges that, in their opinion, communication currently faces.

Amid an excess of channels, the challenge of gaining attention through branded content

Iván Pino: We still remember those years when audiences followed massive routines when consuming media content. We listened to the early morning radio, read the newspaper while drinking coffee, watched the newscast at noon and a movie or quiz show in the evening... those were the times of the big celebrities, star journalists and anchors that attracted the attention of millions of people. But what remains of those times following the introduction of cell phones, tablets, smart tvs, and the digital explosion of the Internet and social media? Little, very little.

Now our attention is divided among a variety of channels, saturated with thousands of messages from different sources, some valuable, others not so much so. We watch TV while chatting with our friends on our cell phone or watching something else on our tablet, meanwhile somewhat responding to conversations at home, commenting on a picture on Facebook and downloading something on our laptops. What do we actually pay attention to? What do we remember and to what do we react?

Back in those candid times, it was enough for us communicators to “place” our messages in the mass media,

send out press releases or manage inserts, assuming, maybe too much so, that they will certainly reach our target audience. Currently, this assumption is simply ridiculous. The competition for our “audiences”’ attention span is tougher than ever. If we kid ourselves into thinking we can conquer them using the same methods we used to adopt, we are mistaken.

The infoxication due to the increase in channels and the saturation caused by noise pushes us towards a digital transformation of platforms and content formats used to deliver our messages to stakeholders.

What is the use of motionless web sites, disconnected from networks, designed exclusively for ourselves, without relevant content for others? What are those conscientious financial and sustainability memories worth if no one reads them? How do press releases filled with data and facts that have been traced after other data and facts help us? And those Q&As for crisis situations designed to respond to a reporter, how do they help us contain the influx of questions and opinions on social media?

Brand journalism platforms, branded entertainment projects and all the new narrative and interactive trans-media formats are essential to fulfill our current function. They all help us capture attention in today’s digital ecosystem, led by social media. However, before we know it, the Internet of Things (IoT), will once again revolutionize communication channels. And what will become of our press releases then?

Sergio Cortés: Effectively, innovation in communication also presents us with a good number of omnichan-

nel opportunities. Access to relevant and personalized branded content, in dynamic formats and from a storytelling approach is crucial. But technology moves fast, and its users, even faster. For this reason, we need to deeply reflect on the instruments we use. For example, mobility is not only a strategy we are bound to follow, but a genuine reality.

It is not enough to design channels that are adapted to or visible on the phone. It is not enough to say that we have a mobile strategy because we have proved that our website is “responsive.” We need to assume not only “mobile first” concepts, but, in some cases, “mobile only”. The process of communication conceived originally from a mobile device that generates a personal bond with the receiver, accompanying him 24 hours a day at an arm’s length away. Few companies are pioneers in defining communication formats that are specific for this omnichannel reality.

This is not all. A true revolution of connected devices (Internet of Things) or virtual reality technologies presents us with a real opportunity to reach out to the public in the “here” and “now”.

Faced with mass customization, the challenge of getting recommendations with our digital identity

Iván Pino: The digital economy is more human than ever before. What a paradox! But yes, humans rely on the recommendations of others when making purchasing or contracting decisions. It has always been like this.

We used to rely on the opinion of friends, colleagues, family and closest neighbors, along with experts that we followed on the media. We now have access to the opinion of strangers as well as many other people who share their experiences and knowledge on social media.

Now think about the business models that keep revolutionizing one industry after another every single day. Take for example Amazon in distribution; Uber in the transport industry; Airbnb in hospitality... You will notice that all of them are based on interpersonal recommendations via digital platforms.

Think now about how these recommendations are transmitted from one person to another through media and social networks. In effect, through people who deserve our consideration. The Internet has empowered each and every one of us, providing us with a means of public expression, independent from the mass media.

How are we managing this relationship within corporate communication? In most cases, we are reproducing the guidelines of mass communication: creating simple corporate or brand channels to disseminate promotional contents, and best case scenario, to systematically communicate with the client through a system similar to that of the telephone system.

Humanizing communication is more urgent than ever. Personalizing content and the channels we use to engage with stakeholders. Developing the digital identity of business professionals; transforming employees and

collaborators into ambassadors of the brand in social media. All of this is possible through the proliferation of mobile devices that transform each one of us into hubs and influencers, beyond our immediate, temporal and spatial environment.

What will become of mobile devices in a few years? What can we presume of technologies such as wearables that enable our entire bodies to become emissaries of information? How will this expanded virtual reality affect our relationships with others?

Sergio Cortés: Communication between users atop of the communication between brands. This is the reality that we face. Wearables allow the maximum level of linkage between the sender and the receiver. Their intimacy level is difficult to surpass in the communication process and promotes a disruptive innovation in the relationship that the client develops with the message.

From this point of view, the opportunities are huge. In the near future, the communication experience will undergo an enriching evolution through the virtualization of personal environments. There will be no need for Internet channels, outlets or customer service to reach the user, and we will be able to create genuine virtual communication environments. The digital transformation also involves new business models surrounding transactionality and product purchases. We are not only referring to communication processes.

Faced with social hyper transparency, the challenge of protecting reputation through smart listening

Iván Pino: There was a time when reputation was managed by hiding the sins and exhibiting the virtues of the organization and its people. That is how it used to be when the only way of making corporate behavior public was through mass media: television, press and radio. Now that we can all become accidental journalists through the use of our mobile phones, that way of managing corporate reputation is not only questionable but useless.

Through media and social networks, anything, even the most private information, can be published by anyone almost immediately and with a global reach. Never before in the history of mankind had public information had such an incredible latitudinal and longitudinal scope. Hyper transparency forces organizations to act and communicate in a responsible manner, whether they want to or not.

“Responsible” - originating from “responding” - in their relationship with their stakeholders: clients, employees, activists, providers... “Respond to” their actions with transparency, participating in open conversations on social media. And “respond to” the expectations of those who make their sustainability possible, listening with intelligence to transform their words into shared value actions.

In this context of hyper transparency, digital transformation affects not only the way in which we listen to communicators, but the way in which we make use of obtained information.

On one side, we are urged to abandon the “clipping” mode when listening to our environment, reading information only in terms of “impact” and with no other perspective than that of our own “brand.” We have at our disposal an enormous amount of conversations in the networks, where stakeholders are in charge of sharing valuable information, openly, voluntarily, and spontaneously. All we have to do is learn how to listen, filtering noise and intentional distortions in order to prevent threats and take note of opportunities. We must evolve from merely monitoring intelligence so that we may understand how influential communities relate to one another in a particular area of communication.

On the other hand, we need to make this information valuable within our organizations. In this hyper transparent world, evasive or remedial responses are not valid. We demand effective reactions in real time. The substantial difference between communication and reputation is being constantly put to the test; the same goes from mere statements to actual commitments, from words to actions.

The market of monitoring tools that combine semantic intelligence with the use of large data keeps evolving in a competitive manner, offering us increasingly reliable and operational performances. But the “big data” universe advances much further and faster than we can imagine. How can it help us listen and make the expectations of our stakeholders count?

Sergio Cortés: The digital transformation of communication is the art of data processing. The data on ev-

everything. Technological innovation allows us to explore options previously thought unimaginable in communication. Conducting a more intelligent and personalized communication is not only an option but a necessity. That is why the new digital revolution offers us exciting tools and concepts such as the ability to better identify conversations, categorize them, understand them and extract relevant information from them and their publics. Tracking information models complemented with a new generation of predictive models opens up a whole world of possibilities. Connecting worlds of semantic analysis with new trends of “Machine Learning” or with virtual assistants’ products benefits communication, becoming highly valued areas of engagement with our stakeholders. Brands are now capable of responding and addressing their customer’s needs in a fast, flexible and personal manner, deeply improving customer satisfaction rates.

The challenge not only lies in the access to data, but in effectively knowing what to do with it from an improved communications perspective. Therein lies the great challenge organizations face.

Let us not forget that ultimately everything is confined to the cultural transformation of the company. Without the human factor, nothing is possible in digital transformation. We must be willing to take on new challenges, risks, be flexible, explore, and endure trial and error. These are concepts we can incorporate to our digital agenda.

Without a doubt, an adventure worth embarking on.

Five communication mistakes during lawsuits

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American businessman Warren Buffett said, “It takes 20 years to build a reputation and five minutes to ruin it.” The numbers in this sentence may seem exaggerated, but sometimes five minutes may be enough for an individual’s or a company’s reputation to be seriously damaged. This is particularly true when the individual in question is involved in a judicial process, especially due to the rise of so-called “parallel trials” in recent years. We can all think of a case in which a spokesperson said too much after a judicial trial, making statements that were not aligned with legal strategy or explanations in relation to a court case we never got to hear. The result, as stated by Buffett: damaging the work of many years in just a few moments. The popular businessman also presented a solution: “If you think about it, you will do things differently.” Although it is always easier to voice

your opinion from the outside, in some cases it seems the common denominator is often a lack of preparation and planning regarding communications management.

In this article we seek to identify, based on our experiences, the five most common communication mistakes made during legal disputes. We will also present five actions to avoid, as well as some recommendations that can help minimize reputational impact on those involved in the litigation process.

1. “Ostrich” Tactic: Trying to ignore the problem by giving evasive answers, dragging or even refusing to talk to the media and other relevant stakeholders characterizes this tactic. Though it is increasingly rare, some companies and individuals continue to practice it. Sometimes, it arises from the false belief that if we do not speak about a matter, nobody else will either. While this is the wrong attitude in the majority of communication situations we encounter, it is even worse during judicial processes, where there is a high probability the other party will make their position known. In short, not giving our own version of the facts and avoiding communicating or offering information at all costs can work against us; The media needs sources, and it will publish the version given by those who respond and make their opinions known. At certain times in the process, it may be better to remain silent, but, before considering this option, it is important to analyze all associated risks and limit it to the shortest possible timeframe.

2. “Parrot” Tactic: The opposite of the “ostrich” tactic, this refers to a spokesperson who gives more informa-

tion than necessary, constantly talking and expressing their opinion about any and every aspect of the process. There are numerous, well-known cases of people who, by commenting on any triviality of the litigation every day, wound up hurting their case by causing information “fireworks.” Generally speaking, this practice does not refer to a strategy whose objective is to offer continuous information, but rather improvised reactions given during situations in which there is pressure for information or an urgent need to talk about each and every aspect of the process. This attitude may generate more information than strictly necessary, wasting opportunities to communicate information in the future or in a more suitable situation, therefore provoking a flood of information and confusion among stakeholders. Though we agree that, given the complexity of these issues, it is important to do a case-by-case evaluation, we can also confirm that providing too much information, however beneficial it may seem, is often counterproductive to a project’s interests and goals.

3. “Peacock” Tactic: Sometimes the eagerness to be seen and give our own version of the facts may drive media attention toward the company and those involved in the process, leading them to report details that had previously gone unnoticed or, at least, remained in the background. This reaction is usually most detrimental in the beginning of a judicial process, when there are a large number of people involved, alleged crimes are unveiled and numerous related facts flying about. It is important to calmly and rationally consider whether it

is appropriate for the company to appear in the media and make statements on the matter, since trying to immediately correct information can turn out to be a bad decision later on. It is usually better to maintain a low profile to avoid being in the media spotlight, and keep the focus on other parties involved.

4. “Mosquito” Tactic: The relationship with the media should be plural; That is to say, there should be no discrimination based on editorial approach. Adopting a selective attitude regarding which media we provide information to and which we are not could give a company’s or individual’s arguments a less credible image. In general, we must try to maintain pluralism without avoiding answering media that could be considered more “problematic.” If we know what and how we want to communicate, the specific media outlet will not make a big difference in that regard. This mistake is particularly common when the process is related to politics. It is important to define the key message the company wants to highlight, as well as educate and train spokespeople in advance when necessary.

5. “Chameleon” Tactic: Acting differently throughout the process, without applying a consistent behavior aligned with a legal strategy, is the hallmark of this tactic. Once a company has defined how it will manage communications during the process, it is important to be consistent—and always subject to legal management. Besides, adopting different strategies depending on the media outlet or situation can denote insecurity or a lack of credibility in a company’s discourse, generating mis-

trust and negatively impacting the reputation of the individual or company involved.

At this point, taking into account the most common communication mistakes made during lawsuits, we need to ask ourselves about the keys to communications management, always remaining aligned with legal strategy and the specific characteristics of each case. The communications team should present itself as a complement to legal counsel and always act under them. These are the steps to be taken to avoid the above mistakes:

- Be properly immersed in legal strategy. It is essential to know the strategy in detail, including the milestones and scenarios expected during the process and their timing, as well as the groups of stakeholders we should address.
- Define a map anticipating possible scenarios and the probability each will occur in the short, medium and long terms. This way, we can foresee issues and establish lines of action to enable proper communications throughout the process.
- Develop a story that shares the company's or individual's version of the lawsuit in a clear, direct and simple manner. This will be the backbone of the communications strategy, which is why it is important it easily adapt to any channel, placing focus on the most relevant aspects it aims to address.
- Establish a coordination system to allow adequate preparation for each milestone that may develop during the process. In this regard, it will be particularly useful to launch a media and online monitoring

system. With this, we can react quickly to identify possible communication opportunities.

Despite these guidelines, the truth is, communications during lawsuits is usually very complex and requires a multidisciplinary team that takes into account the particularities of each case. There is no single formula for success and, as we have witnessed on numerous occasions, even if you win the trial, you may still “lose” your reputation.

Deconstructing Gulliver

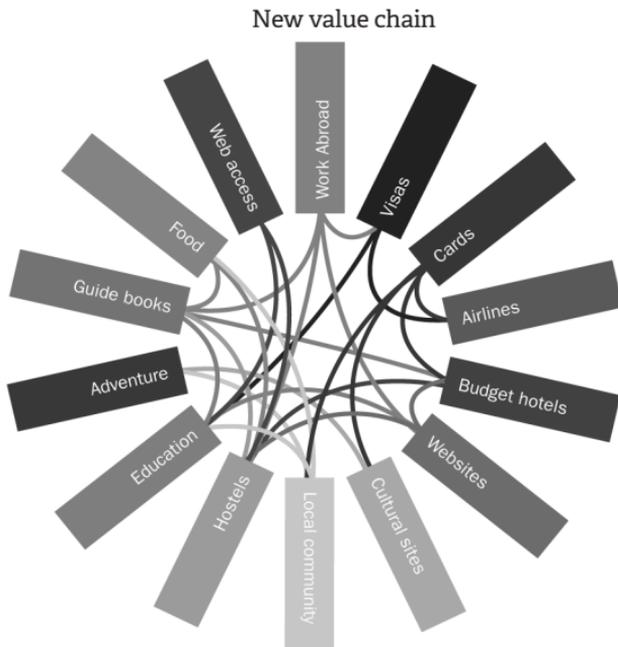
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We cannot overlook the importance of tourism in the global economy. It generates 10 percent of the world's GDP, and the World Tourism Organization (WTO) projects 1.4 billion international tourists in 2020.

Tourism is one of the industries that has most strongly felt the effect of technology on its business model and client relations. The industry's value chain has gone through a true reconfiguration; value is now created by connecting tourism and external agents in different ways. Young people, who represent 20 percent of global tourism and will account for 47 percent of the total number of travelers by 2020, are the most sensitive to this shift in dynamics.

Whether traveling for business or leisure, we don't buy trips the way they used to. Traditional travel agents are now boutique agencies creating unique and personal experiences, similar to personal shoppers. Airlines are focused on efficiency and consumer cost, and hotels have followed the same path. In every segment, testimonials and client preferences play a key role.



Source: World Tourism Organization (UNWTO) 2016

Disintermediation in the traveling experience—whether for business or leisure—has caused tension in some business models, which, in some cases, are doomed to disappear. More than ever, in this context in which the client—whether a corporation or a consumer—reigns, it is important to dominate discussion in areas that enhance traveler experience and in communities where our travelers share their adventures.

The Vikings explored the earth without a clear road map. Christopher Columbus found America by chance. Cortes traveled through Mexico without knowing ex-

actly what he would find, and Schackeleton's expedition to the South Pole cost him more than money... Traveling is about discovering and adventuring, but most of us prefer to limit improvisation to a minimum, though in any case we know we have plenty of options to avoid not finding a hotel on a cold European winter night.

Today's tourism industry—the development of destination brands, resorts and trips—balances between the smart traveler, who makes decisions based on a combination of cost efficiency and return on experience and whom we may find shopping at Ikea; and, on the other end, travelers who have found an affordable and democratic luxury experience without having to pay an excessive price.

Plane tickets are a commodity, and, in many cases, travelers do not favor one airline over another. Generally speaking, searches respond to a pattern based on date, schedule and price, and multiple search engines quote according to those categories. Airlines compete in efficiency; those that still believe in service and client experience are in the Middle East, although they are also able to capture a segment of the market. Perhaps the losers are the companies that have opted for remaining between both worlds. Online user community conversations revolve around how well an airline performs in terms of timing and price, with no frills. If one of the leading airlines delays boarding by two hours, it will fall prey to our frustration on Twitter, much more so than any other incident in our trip.

Accommodations still resist the disintermediation that has affected airlines, even if search applications are in strong demand and there is an increasing number of people who make their assets available online. Hotels continue to dominate as a direct option, although they base themselves on a new pillar: client experience, whether visual (through photos on Instagram and videos on Periscope) or through stories posted on TripAdvisor. These help us consider or evaluate a destination and avoid hotels with cockroaches or “souvenirs” from other travelers on their sheets. Here, conversation is King.

Countries and destinations do not form an exclusive topic of discussion. They get mixed with others, such as history, cuisine, nature, entertainment and shopping. And in fact, user communities are the ones generating preferential and preferred content around travel experiences. On the other hand, countries and destinations are sometimes obsessed with sponsoring things that will establish an emotional link with potential visitors. Very rarely are profitability or investment return directly related to the invested amount; They are just cosmetic exercises in an era in which authenticity reigns. Thus, choosing an area, such as music, presents greater advantages inasmuch as it can better relate to experiences. Ibiza would not be Ibiza without David Guetta or Calvin Harris. It has beaches and sun, but music is an integral part of the island experience. Likewise, we cannot conceive a trip to Peru without trying its cuisine, which is emotionally attached to the country's character.

A lot of people would like to travel to Iceland this year despite its Prime Minister, who had to resign for his involvement in the Panama Papers. They are attracted not just by its volcanoes, but also by the opportunity to see, firsthand, 5 percent of its total population vibrating with their rallying cries during France's Eurocup.

Fitur, ITB and WTM are tourism industry forums where buyers and sellers interact and the industry shares impressions. But, where is the traveler? Just like banking and finances have gone through disintermediation due to Fintech, in the tourism industry travelers are demanding an urgent transformation. As mentioned earlier, young people, the emerging segment with the highest potential, are looking for unique and authentic experiences, companies that listen to their comments, learning opportunities and recommendations from their closest friends or people with whom they share common interests.



Source: World Tourism Organization (UNWTO) 2016

We used to trust National Geographic reports, and later Travel Channel and Food Network, but today we

prefer YouTubers who visit interesting places and reality shows that mix cuisine and traveling, or real people who live in other countries and tell us what they are like, thus arousing our curiosity.

Buying a trip is an incidental transaction (getting there), but it is emotional and binding when it comes to the destination and the experience we are looking for. We don't want an ordinary experience—we want to feel unique and different, even in destinations with large numbers of travelers. We want to create our own experience, describe it, take pictures, share it and make it public.

Whether a country brand, a destination or any other actor in the value chain, we need to rethink our engagement strategy with our target audience according to a number of principles:

1. Be authentic and sincere in our conversations.
2. Let the client take control of storytelling and build it, always within the area we have chosen and while guiding them through the conversation.
3. Choose several areas to combine experiences.
4. Listen, listen, listen... and apologize if necessary!

CRISIS AND REPUTATION RISKS

Reputational crises and information transmission in social networks

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When a corporation is affected by a severe reputation crisis, its business sustainability dramatically falters. Its operational legitimacy within the market is questioned and it is often ultimately abandoned by different stakeholders. If clients lose faith and stop purchasing or procuring its services or products, its demise is inevitable. In this article, we intend to offer guidelines directed toward restoring confidence through the modification of perceptions in networks at an affordable cost for the affected company.

Information, similar to the flames of a house fire or a virus within an organism, travels according to a set of rules. The transmission of information between two people requires that both parties share the same channel and the same code. Naturally, and without technological intervention, we are capable of influencing people up to three degrees of social separation from us. Our closest friends have an even higher average of four degrees. This is our network of nuclear conversation, one that offers the possibility of mutual influence between us and it.

The sociologist Peter Mandson called it the “Network of Nuclear Conversation”.

Milgram conducted an experiment in New York in 1968 in which he analyzed 1,424 pedestrians. He had one person on the street look at another person situated in front of a window on the sixth floor of a building. With only one person watching from the street, 4 percent of those passing by stopped, but when the group was comprised of 15 pedestrians, 40 percent of those passing by stopped. In fact, only one person looking up made 48 percent of pedestrians look as well. The group of 15 made 86 percent look. Curiously enough, a group of 5 people had the same influence as the group of 15 did.

The first conclusion to draw is that you do not need a large group of people talking about something in a given network to get the rest of the network to stop and observe the dialogue.

We know that Milgram talks about six degrees of separation between all of the people of the world. However, we only have the capability of influencing up to three degrees of separation, which is not bad at all. We could reach half of the world’s population, if that is true. Conversely, when we distance ourselves in terms of degrees, our influence is noticeably reduced. Nicholas A. Christakis and James H. Fowler point to this in their book “Connected”.

This explains word-of-mouth within a community. The accuracy of the information decreases the more it is shared. According to Christakis and Fowler, this is known as Intrinsic Decay.

The same network contains links that go beyond our three degree reach. We do not influence nor receive influence from anyone more than four degrees away. It's what these authors call the Network Instability, referring to how social ties become unstable at these distances. In fact, until recently nobody has been four degrees of distance from one another in the history of humanity.

All in all, the truth is that we all affect one another. We are all connected to 400 people by two degrees of separation and 8,000 by three degrees. Do the math. $20 \times 20 \times 20$.

In this context, it is easy to understand how we are profoundly influenced by actions we have not seen with our own eyes and testimonials from people we don't personally know.

Emotions are transmitted

Following the experiments of Christakis and Fowler, we come to understand how emotions are passed through a network. In fact, happiness and loneliness are both transmitted in the same way. An individual has a 15 percent likelihood of being happier if they are connected to another happy individual, decreasing to 10 percent at two degrees of distance, 6 percent at three degrees and 0 percent at four degrees. The key to emotional wellness is in having happier friends. And if our friends are connected to other happy friends, it presents more chances to be happier.

Related to that, the happiness of a friend less than 1,500 meters away increases our happiness by 25 percent. Anything further produces no effect.

Loneliness acts in the same manner. At one degree away of separation you have a 52 percent chance of also feeling alone. At two degrees, the chance is 15 percent. At four degrees, the effect disappears once again.

In other words, the more paths that connect you to other people in the network, the more exposed you will be to what flows through it. Messages are most effective if they fundamentally affect people who possess the greatest number of connections and, thus, the highest transmissibility. However, different networks call for different recipes. You would have to take into account the structure of each network and its interior links, keeping in mind that the global structure of the network is ever-changing.

Resolving a reputation crisis

Suppose a company has suffered an important reputational crisis by failing to meet its clients' expectations (corruption, breach of rules or deception regarding its product). Confidence can only be restored through the reconstruction of ethical values and the transmission of transparent information. However, the most profitable cost/benefit solution doesn't go through a massive information campaign that reaches 95 percent of its target audience. It's more profitable to create conditions so that the information "fire" about the company's rational goes viral. This fire does not spread with ease just because there is a spark; it needs a fine combustible fuel, relatively

low humidity, air (the more the merrier) and proximity to additional fuel that's in an optimal condition to burn.

The networks could be manipulated in terms of connection models (how we connect to another) or the dissemination process. It is important to analyze network links and locate the most influential individuals within it. If the links people use are recognized, it is possible to determine which actions will direct the information toward groups of interconnected people.

For information to spread virally not only depends on there being influencers, but also on there being people listening. There must be conditions that will enable the fire to spread with ease. It's more effective and economic to locate the central network nodes. Acting on 30 percent of the network could lead to the same result, as long as they are the right people, making the cost effectiveness of a campaign much higher. Let us not forget that, without communications technology (the Internet), each one of these people can already, on their own, influence another three. This is what demonstrates the hyperdyadic spread, as Christakis and Fowler call it.

In the same manner that social networks are capable of spreading fear extremely quickly in emergency situations or economic crises, they can also decisively alter perceptions. Let us concur that connectors found in the center of the network not only possess strong ties to those in close proximity, but also weaker ties to other nodes. Keep this information in mind, as it can help obtain clear social benefits that others cannot achieve.

In 1940, the studies of Lazarsfeld and Berelson on the social spread of political behavior revealed that the media did not directly reach the masses. Opinion leaders habitually acted as intermediaries. The media seemed to work by getting their information to occupy a central place in social networks.

That was in 1940, well before the Internet. As we can now imagine, in the era of digital social networks, the role central nodes of information occupy, loaded as they are with thousands of fragile contact connections, is one that can stretch its connections beyond the third degree.

The way in which these central nodes exchange information is called the Rule of Direct Reciprocity, as termed by Christakis and Fowler. If you will have various opportunities to cooperate with a person in the future, one of the ways to get this person to help you is by promising that future cooperation. It is the positive side of “an eye for an eye.” One person cooperates with another, and from that point forward the action is reproduced.

In conclusion, and as we’ve seen, if a brand wants to repair its reputation it should spread its rational directly through the central nodes that operate its target communities. The cost/benefit of this kind of operation versus that of a massive information campaign is clear. All of this can be made easier, if the brand previously forges alliances with those central working nodes, before the beginning of a crisis. Otherwise, you must work hard to identify nodes and examine what you need to exchange to get those influencers to help you spread your message.

The benefit of working with central nodes in the community is twofold. These nodes offer major dissemination capabilities precisely because of their centrality. In other words, they have more connections to other nodes. This opens up the massive possibilities for using them to diffuse rumors. The early identification of nodes, and the formation of alliances, is essential to neutralize the spread of misinformation.

There is no doubt that the Internet has contributed enormous possibilities for connections, which, although weaker, are able to obtain much more information than before. The size of communities and the scale on which we can share information have also increased. In crisis situations, this increases the risk for brands to face groups with conflicting interests, but at the same time, they can serve to befriend major groups that form a protective shield.

A brand poorly connected to its communities faced with an enormous digital breach is in a very weak position. Companies must increase their network's interconnections, especially with central nodes. Today, equality is produced by the number of connections that we possess. The more connections we have, the more chances there are of them increasing, as well greater ease in achieving all kinds of benefits.

These connections are more relevant than the place in which we are born or were raised and are more relevant than the amount of money we have in the bank. If you lose your connections in the midst of a crisis, you are dead. To keep them alive and restore confidence and

credibility, you have to clarify your transparency, ethics and values, but don't try to say it all at once. Be smart and active in your central network nodes.

Communication management for epidemics of the 21st century

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A new model that takes advantage of social networks to control outbreaks such as Zika

Hardly anything in this world terrorizes human beings more than an epidemic. Since the beginning of time, epidemics have caused massive panic because of their unpredictability, lack of an immediate remedy or vaccine, and their inability to be controlled by health institutions. The result has led to the death of millions of human beings and impactful socio-economic changes such as those triggered by the black plague in Europe in the middle of the 14th century.

Uncertainty, social confusion and a sense of urgency come with the growth of an epidemic, which, if not properly handled can result in the removal of the political structure of the country and the affected region. Simply imagine what would happen to the touristic areas of Colombia and Brazil, as well as their economic structure, if the Zika virus continues to progress and is not controlled or prevented.

Communication media have helped reduce the amount of contagions and avoid panic. However, if they are not under constant coordination through messages led by the health authorities (regional, national and local), they can cause delays in the control of an epidemic and undermine the people's confidence in the institutions responsible for the public health of the country.

Throughout time, governments and global organizations have generated a series of protocols in the subject that have allowed the alignment between the media, national governments and organizations such as the World Health Organization (WHO) and the Pan American Health Organization (PAHO). This three-way conjunction would seem sufficient to keep an anxious and preoccupied population informed, change behaviors and control the outbreaks.

However, in the epidemics of the 21st century, the recently created protocols are almost obsolete. Not only have they increased the risk for the generation of the viruses, they have also complicated the management of the communication efforts. It is no longer sufficient to

provide informational brochures or advertisements in traditional media, to cite just two examples.

Nowadays, the digital citizen should be added to the alliance between the media, government, and global organizations. This person, who could be a patient, a relative, a medical professional or a regular user, is redefining the standards of the relationship. It is part of the digital transformation we are experiencing.

A clear example is the state of emergency emitted by the WHO and the Ministry of Health and Social Protection of Colombia following the Zika virus. The emergency has also permeated digital media. Information about the virus, its symptoms and possible cases of malformation during pregnancy, has generated the most searches on Google during the months of January and February. Zika's interest implied a 3000% increase in searches made by digital citizens.⁴³

Twitter is another area where the virus has taken the lead – both as source of information and topic of conversation-. Between January and March of this year, there were approximately 6.8 million registered tweets containing the word 'Zika'; 1.8 million of them came from Brazil, Mexico and Colombia -some of the countries affected by the epidemic-. The conversation on the platform has gravitated around detected cases, the risk for pregnant women and rumors about the effects of the virus, among others.

43 Google Blog, Providing support to combat Zika in Brazil and beyond, <https://googleblog.blogspot.com.co/2016/03/providing-support-to-combat-zika-in.html>

Diverse sources, including public entities such as the Ministry of Health in Colombia and international organizations like UNICEF, have contributed to promote informative campaigns to guide the population. For example, about 11 thousand tweets with the hashtag #ControlAlZika (Zika Control), promoted by the Ministry (@MinSaludCol), were registered in February and March of this year. During the same period there were 48 thousand tweets with the hashtag #zikazero, that is part of the Brazilian government's campaign to eradicate the epidemic.

The contributions of governments and multilateral organizations attempt to respond to a challenge: epidemics, besides being a public health problem, are a problem of communication in society. In the digital age, any health emergency translates into thousands of voices that interact with each other, interpreting information, debating and becoming media themselves. There is a risk, however, that this interaction may intensify the emergency to the extent of creating social panic. Adequate intervention from governments, civil society organizations and the media should be able to digitally mobilize the population in order to achieve the general interest objectives.

The first step is to understand today's citizen, whose communication model collides with the traditional approach that health organizations have grown accustomed to. If we attempt to generate confidence in the population and lead the conversation on the Internet, we must keep in mind some key aspects in order to ef-

fectively manage communication and face epidemics in times of digital transformation:

1. The population demands precise and adequate information. The user faces an overload of information due to the profusion of contents on the Internet called infoxication. This phenomenon requires a solid intervention from health authorities, allowing them to officialize sources and distinguish them amongst the thousands of contents that filter inaccurate data, rumors and conspiracy theories about the virus that only generate confusion and distrust in the population. Civil society organizations are also vital in this task: by acting as intermediaries and 'curators' of information, they not only give credibility to the official message but strengthen their own voice.
2. The control and prevention of an epidemic outbreak is also managed from the digital environment. If people don't take preventative measures, the virus will continue to advance. Health organizations should use the Internet to interact and promote a flow of information that sensitizes the population about possible preventive measures. To achieve this result we need innovative relationship strategies that respond to the users' expectations. An interesting example is that of Hurricane Patricia in Mexico last year. While it was not an epidemic but a possible natural disaster -which fortunately did not have the impact we expected- the digital strategy of the government had a very clear objec-

tive: communicate, organize and connect. Possible limitations of penetration of social networks in areas with poor connectivity were not an issue: Mexico's Ministry of the Interior used the Internet as a constant source of information for radios and local political leaders. That way it managed to spread its message across the country. In the two key days of the emergency, there were 820 thousand tweets about the hurricane.

3. The digital conversation of users is made available to centralize the efforts in controlling the epidemics. It is time to take advantage of big data, a phenomenon associated with the thousands of pieces of data available on the Internet that generate knowledge for companies and governments. In the case of epidemics, this chunk of information can be used to track the spread of outbreaks and identify where there is a need for information in order to better focus the government's prevention campaigns -physical and digital-.

How to evolve from the era of brochures to one of networks

When facing an epidemic outbreak in the 21st century, we need to adopt a new communication model and not just rely on new tools. This is what differentiates those organizations that are undergoing a digital transformation.

What does it mean to adapt to a new communication model?

To lead the conversation, we must understand the community.

Ancient Greek historian Plutarch once said, in order to know how to talk we must know how to listen. Thousands of years later, that phrase comes into effect in the era of digital transformation. In order to build a tale of prevention against the Zika virus we must first need to understand how the communities that inhabit this territory, and who are generating hundreds of digital contents, function.

To understand the territory of Zika or of any epidemic, we require a digital listening of risks in order to identify conversation nodes, the propagation of outbreaks, the critical subjects and the impact of the authorities' messages. A good listening management on the networks allows communication leaders to provide transparency and set the tone of the conversation based on the interests of the communities (patients, health professionals, journalists, opinion leaders and citizens in general).

Relationship strategies with key communities.

In March 2016, Google's corporate communication director, Florencia Bianco, mentioned that the company had invited various YouTube content creators to generate preventive material against Zika from their own channels. This initiative, which attempts to take advantage of the reach of these well-known network figures in order to enable communities, can be of great help, particularly if it is managed from a strategic point of view that

understands the topic of conversation and information needs. The combination of these processes could result in a powerful relationship strategy.

An initiative of digital ambassadors done by Colombia's most popular video bloggers or "vloggers" such as Daniel Patiño (of PaisaVlogs), Juan Pablo Jaramillo, Sebastian Villalobos and other digital influencers, could contribute to the prevention campaign launched by the government. Because the population's health is at stake, this initiative requires planning, training, aligning of messages and supervision.

Brazil's government is introducing new relationship formats and models. For example, they seek to get closer to the affected communities and generate an emotional link through the partnership with celebrities that have a presence on the networks, ranging from actresses to national sport stars as well as doctors that have great credibility, allowing them to sensitize the population with the prevention task to control the virus.

Another important community that should contribute to the conversation about the Zika virus are health organizations and professionals. It is a great opportunity to align efforts with health authorities towards stopping the virus.

Platforms and contents that allow the mobilization of the population.

Brazil, the country most affected by the Zika virus, understands the need of generating engaging communica-

tion materials to be placed in the digital environment. The government implemented the website zikazero.mec.gov.br, where official up-to-date information is published, along with multimedia content, printable downloads and transmedia content on social networks in order to keep the population informed. Just look for the hashtag #zikazero -already referenced- on Facebook and Twitter to find out how the government leads the conversation.

In order to promote a single message about the control and prevention of epidemics, governments need spaces and contents containing accurate information, segmented by public, with messages that are sincere, simple and true to the facts so they are able to respond to the need for information and conversation by the affected communities. The proximity and transparency of these formats will encourage a relationship between those in charge of managing the communication efforts and the population; that way, the communities can <<observe>> the data collection process, evaluate the risks and make decisions associated to the control of the virus.

A recent example of the excellent use of digital platforms in the case of epidemics, occurred during the outbreak of the Ebola virus in West Africa. WhatsApp was used by the BBC in the fight against the epidemic. Through a service that only issued three messages a day, more than 19,000 subscribers received key information on their cell phones. They did not need to access a web page or download heavy archives. The information provided through texts, images and audio was simple and direct.

The immediacy of WhatsApp was also used in Spain as an effective communication channel between health journalists who covered the news on Ebola and official sources. Groups were created to immediately inform about the latest news and developments for attacking the virus.

Digital Identity to build trust among the communities.

In this new environment in which the individual has more power than ever and where people believe mostly in what they can see, touch and tweet, the digital identities of those leading health organizations are more relevant than ever. It is not only the leaders that play an important role, but all of the involved groups as well.

In Brazil, from President Dilma Rousseff to local health organizations, they manage a single line of messages as well as an operation that seeks to guide the communities towards communication assets and materials.

In the case of Colombia's Minister of Health and Social Protection, Alejandro Gaviria, his digital identity is mostly represented by his Twitter account, which, although it has less followers than the Ministry's account, it is more influential due to the number of retweets that his posts generate. His ability to reach and build trust among the communities is greater than the institution itself.

The health authorities are the first ambassadors of the prevention campaigns that the State has undertaken and, as such, they require powerful channels and appro-

priate messages, adapted to the new generation's consumption of information. The presence of the leaders is not only based on a Twitter account, but on the need of a powerful structure that supports the Institution's communication strategy.

Conclusions

The communication process in epidemic cases has radically changed. The users -empowered thanks to the new technologies- obtain information, comment and create waves of opinion. But if these people spread misleading information, they can jeopardize the health situation of an entire country or region. Adopting that communication model is a challenge that health authorities must overcome.

The epidemics of the 21st century present a great opportunity for health authorities that not only lies in taking advantage of the digital environment as an effective tool in the prevention and control of epidemics. Communication management that responds to the expectations and contributes to stop the virus and safeguard the health of thousands of people generates a better reputation for all of the organizations involved

Earthquake in Ecuador. The importance of information during catastrophes

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According to UNDRP theorist Enrico Quarantelli, there are three pillars to managing catastrophes: coordination, cooperation and communication. Four pillars if we add the NATO doctrine and include monitoring and control. These are strategic values that help reorganize the chaos as soon as possible. When the earth mercilessly shakes vulnerable areas such as Ecuador, chaos takes over. Uncertainty and panic flood the streets, generating high demand for information in the early hours following the catastrophe, when there is little information and even less capacity to spread it. Businesses should take it upon themselves to be involved in the restoration of normality.

It is evident that Ecuador is not Japan (referring to the earthquake in 2011), but in both cases communication via cell phones collapsed. In situations like these, mobile phones stop working and communicating through the Internet is very complicated. Nevertheless, re-establish-

ing communication in this situation is critical in order to gauge the response derived from the initial evaluations. The task of having relatives being able to contact one another is urgent.

Once again, Twitter and Skype have demonstrated their usefulness in this situation. Within a few minutes we received synchronized information of what was occurring in the different areas affected by the earthquake (videos, photos...). Twitter offers additional advantages, such as that it uses little bandwidth, which makes it ideal in these circumstances. As seen in Japan, fixed lines and ADSL have held up better. During the period in which the Internet worked it was an ideal way of not saturating communications. Furthermore, Twitter became a mural of social cries where one could ask for help.

Twitter was also used to post photos of disappeared relatives and organize solidarity campaigns such as #DesaparecidosEc and #EcuadorListoYSolidario, respectively.

A number of trends were initiated on Twitter, trends that were consolidated in a span of several hours and days, generating millions of impressions.

Facebook was also used to ask for help. One man used it to request help for his injured daughters. The girls, along with his wife, were rescued by a helicopter 8 hours later. Another woman was grateful because, as a result of Twitter messages, she was able to contact her father after posting a picture of him. He was at a Red Cross center.

Additionally, social networks assisted in asking for humanitarian aid and displaying professional psycho-

logical telephone support lines. They also served as a window for citizens to report infrastructural damages.

In a sea of requests for assistance, some more experienced Tweeters resent petitions to the Minister of Interior, José Serrano. For example, on behalf of a hospital that needed helicopters to transport the wounded.

Skype is another ideal way of announcing that we are safe, but, in solidarity, we should minimize its use given its large data consumption. Nevertheless, it must be emphasized that the company enabled a free calling service. Other tools of great value in these situations used to locate missing family were:

Google crisis response (through person finder, already used in Japan), Twitter alerts, Red Cross' Family Links and the International Red Cross' search engine for missing people.

We should also highlight the safety check tool that Facebook has installed to let our friends know we are safe. Also, AT&T facilitated the communication between users in the U.S. and their family and friends in Ecuador. Through Twitter, the Ecuadorian government used another platform to help locate those missing. More than 1,800 people registered on the site.

The Government also used social networks to enable citizens to participate as volunteers on the account @VoluntarioEC and register through a website.

There is no doubt that in situations like these, technological companies are usually the first to help, a solidarity that should permeate the CSR actions of those companies in the affected areas in order to give back to

society part of what they get through operating licenses. In this regard, a proper use of communication by companies in this situation can be summarized as follows:

1. Align themselves with public policies of civil protection.
2. Assist in spreading administrations' aid messages and point out reliable sources.
3. Make their digital communication assets available to the administration in order to help spread civil protection messages.
4. Help disseminate assistance and solidarity campaigns.
5. Define actions of solidarity and aid that are related to the "core" activity of the company (it is better to design these in times of peace).
6. Employee involvement in solidarity actions.
7. It is necessary to articulate internal communication channels for these situations.
8. Design a strategy to support those employees and family members who have been affected by a natural phenomenon of these characteristics.
9. Support in recovery actions of social character.
10. Show and prove that solidarity and moral values are part of the mission statement of the company.

There are several companies that reacted like this on their social network accounts and collaborated directly, through the municipality of Quito and the national government, in both the recollection of food and supplies, and in releasing messages about how to stay safe and what to donate.

In summary, here is our advice in catastrophe situations:

1. Provide assistance at established locations.
2. Avoid saturating communications with voice calls or video conferences.
3. If mobile phones or ADSL work, communicate through SMS, Twitter or Facebook.
4. Do not saturate communication channels by sending photos and videos.
5. A battery powered radio continues to be the best method to obtain information.
6. Authorities should quickly release an information number.
7. Given communication problems, the authorities must place posters and distribute flyers with basic information.
8. It is recommended to install different information stands in strategic places to assist those who have been affected.
9. Communication is a strategic value. Authorities should guarantee a constant supply of data with certain information.
10. Fakes should not be shared on the networks. Cite and verify official sources. If you have doubts consult with them or with VOST teams of emergency digital volunteers. In Ecuador the account @VOSTecuador began operating after the earthquake. Like in many other catastrophes, this one was also full of rumors.

All of this shows that Ecuadorian society is completely involved in social media, which in this case has been of great help to deal with the catastrophe that took place in our country.

SUSTAINABILITY

Communicating Corporate Social Responsibility or ceasing to exist

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Do companies adopt a Corporate Social Responsibility approach to take strategic decisions? Are enterprises promoting a sustainable corporate engagement with their various stakeholders? Are companies enhancing their *storytelling* from the *core* of their business and building confidence at the same time? If the answers to the previous questions are affirmative you can feel satisfied about your company or the enterprise that you intend to set up; its survival is guaranteed to a great extent.

In the new paradigm of Capitalism in which players want to establish relations with responsible companies,

that is, organizations which implement a responsible management in their businesses and do not merely act in a responsible manner in the way they spend their income, CSR will be instrumental. In this new context the only option is being responsible or ceasing to exist, and consequently, companies will need to communicate this new responsible corporate behavior or will cease to exist.

Several companies have understood that the rules of the game have changed and are now adapting their production processes and communication strategies to this new context. The objective will be to achieve a distinguishing feature that sets them apart in their industries. There is no final answer to this question, but common aspects can be identified in most successful cases.

Responsible companies have businesses which work in an integrated manner, generating value for third parties and identifying gaps and business opportunities from an integrity approach. Responsible companies have short, medium and long term strategies in which they address 5-6 key aspects for the interests of their stakeholders throughout each stage and control their progress thanks to KPIs (Key Performance Indicators). Responsible companies sense what is going on in society and how it could affect their companies by being proactive and modifying their behavior and even influencing the political and legislative agenda.

But, how does a responsible company communicate? A responsible enterprise communicates its objective as an organization in a credible manner. It develops its own *storytelling* conveying honest stories with key

points which focus on building confidence and bases its contents in making known its corporate values. The internal communication of values helps build a corporate culture, while external communication contributes to the creation of a responsible and reputed brand identity. Every non-measured element does not exist and everything that is not told must be interpreted. The problem is that CSR communication is not attractive. Thus, it is necessary to convey a credible story. As the saying goes: tell me and I forget, teach me and I may remember, involve me and I learn.

The duties of the Communication Director includes conveying stories and working with perceptions, since what matters is not what companies tell, but what people perceive. CSR Directors are an important part of the story and must take risks to meet the expectations of *millennials* who seek to work for organizations which have a positive impact on society and the environment.

CSR Directors play a critical role, since they need to be intra-entrepreneurs, must take risks to go beyond their companies to achieve an internally credible storytelling and help CEOs leave a legacy within the corporation after their departure. Communicating ultimately implies explaining how the company shall promote a responsible business and how this will affect and improve society.

Particular consideration should be given to Sustainability and CSR *Reporting*. The responsible company carries out its *reporting* in an integrated manner with the business, as a starting point for communication and not an end in itself. Now, we need to identify risks and

opportunities, connect the plans of various corporate areas and have as much information as possible to implement an optimal decision making.

Lastly, CSR should be conveyed through multi-channels (*Brand film*, *Brand journalism*, infographics, statements, opinion pieces, social networks, etc.) in order to explain the context, invite further parties to join the conversation, emphasize the value of the lessons learned and connect various public objectives.

69th World Health Assembly: the challenge of global and sustainable solutions

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In health terms, the global scenario presented at the World Health Organization's recent assembly shows profound differences. The extremes of life and income present the most pronounced challenges, which were not on the agenda just a few decades ago.

On one side, the aging trend in developed countries poses a series of unprecedented challenges in the history of mankind. Up till now, senility only afflicted a minority proportion of society. However, according to the forecasts, the proportion of the global population who is 60 years and older will double between 2000 and 2050, reaching 22 percent. Closely tied to this problem is the growing shortage of health personnel. It is estimated that before 2030, 40 million job openings will be created in this sector, the majority of which will be in medium and high-income countries, whereas in low and medium-low income countries there will be a shortage of 18 million people dedicated to health care. This threat also represents an opportunity: it is becoming clearer

that one of the activities that will offer greater employment opportunities is health care and personalized care specifically, a function that is unlikely to be replaced by computers or robots. Because of its population pyramid, Mexico is specially prepared to address this issue, as long as the education system focuses on it.

On the other side, childhood obesity has become one of the greatest global health emergencies, primarily due to its long-term effect on the proliferation of Non-Communicable Diseases (NCDs). Similar to aging, childhood obesity is a problem never before experienced by mankind, therefore there are no precedents or success stories to refer to. That is why WHO uses a cautious language in referring to “the focus and combinations of interventions that are probably more efficient in combating childhood and adolescent obesity in different global contexts.” In this field is where all the work lies, because although WHO and governmental institutions in many countries have taken radical restrictive measures against advertising, labeling and consumption of certain products, the time elapsed has been too short to observe the generational effects of these measures in children, while the adverse economic effects have already been experienced by the industries in question. Overall, WHO maintains a prohibitionist attitude, in this assembly against infant formulas in particular, recommending member countries to severely toughen restrictions from 0-6 months to 36 months of age.

Another issue that highlights the health differences between developed and undeveloped countries is the

migratory crisis that stems from the different political conflicts and economic emergencies in several countries. On one hand, the migrating condition usually ends in hunger, weakness and the spread of infectious diseases, along with the risks associated with transit under precarious conditions (shipwrecks, murders, accidents); on the other hand, it puts an unusual pressure on the health systems in recipient countries, which in many cases already find themselves at the limit of their capabilities (e.g. Greece).

To address these situations, the assembly decided to undertake one of the most profound transformations in the history of the organization: the establishment of a new Health Emergency Program. The new program is set to provide rapid, predictable and comprehensive aid to countries and communities in an effort to prepare and respond to all types of emergencies related to human health - whether they be outbreaks, natural disasters or emergencies caused by humans or by some type of conflict - as well as to recover from those emergencies.

WHO will exercise its leadership in the largest humanitarian emergencies and disasters management system. As the lead agency in the Health Action Group, it will make use of the capabilities and expertise of a wide range of associates and member states. To fulfill these new responsibilities, the delegates have agreed to a budget of \$494 million for the program during the biennium 2016-2017. They have asked WHO's director general to inform the 70th World Health Assembly about the progress made in the establishment and launch of the program.

In summary, the world faces unprecedented situations that require global and innovative solutions. It is regrettable that productive companies are excluded from WHO's discussions and are practically barred from any contact with the delegates throughout the duration of the assembly. The productive sector needs to articulate new alliances that will allow it to influence the global health discussion more effectively and convey the message of its knowledge, experience, innovation capability, social responsibility and interest in consumers' health. These are resources that the world cannot and should not waste in its search for a healthier and more sustainable world.

TALENT

Reputation plays a role in the ability to recruit talent

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The battle for talent has begun⁴⁴. As expected, a certain recovery of the job market is causing a growing number of companies to be concerned with something that seemed to be guaranteed during the harshest years of the economic recession. This concern is the undertaking

⁴⁴ http://www.manpowergroup.com/wps/wcm/connect/db23c560-08b6-485f-9bf6-f5f38a43c76a/2015_Talent_Shortage_Survey_US-lo_res.pdf?MOD=AJPERES

of appearing to be the most attractive place in which to develop a professional career in the eyes of candidates who once again have a choice.

54 % of workers are currently seeking a job change, and 40 % of Human Resources managers expect a higher than normal voluntary rotation during the coming months. Intangible aspects are among the most influential factors on these facts.

Industrial capitalism is giving way to the so called “talentism”, as rightly stated Juan Carlos Cubeiro⁴⁵ in 2012. Professionals are not seeking a job anymore; they are seeking an adventure that is worth living.

Companies face a big challenge in this regard: they will only reach high targets if they captivate talent to acquire and retain the best ones.

The context

There are at least three highly relevant factors that are forcing Talent professionals to reconsider some of the aspects of their efforts.

The first element that has changed everything consists of millennials and their contagious values. This is the generation born between 1980 and 1999, and by 2025 (according to Forbes⁴⁶) it will make up 70 % of the entire labor force throughout the world.

45 Head of Talent of ManpowerGroup and CEO of Right Management

46 <http://www.forbes.com/sites/danschawbel/2013/09/04/why-you-cant-ignore-millennials/#4b8581c16c65>

These young professionals have different priorities. They prioritize their personal life over their professional life. They do not conceive the idea of spending their entire career at the same company, and they need an adventure that is worthy of them and of being experienced. To top it off, they want to spend their best years and efforts doing something that will make the world a better place and further their personal development.

The truth is that, according to this description of millennial professionals, we realize that most of us are like them, at least in spirit. We don't know what came first: the egg (society has made millennials into millennials) or the chicken (millennials have made society into millennials). What is clear is that the values that define this generation currently prevail throughout the world.

Second, we can see that regardless of the role we adopt, our brain is configured to think and act as a consumer. This is neither good nor bad; it simply is what it is. People younger than the age of 35, who have grown up in a setting dominated by consumerism, make employment decisions similar to how they make purchase decisions. In other words, I would never work for a company whose products I wouldn't buy.

This reality has two components. On the one hand, there is a vector related to beliefs and values. It is likely that candidates who do not want to buy a certain brand's shoes because they suspect the shoes have been manufactured by children will also not want to form part of that company's workforce. On the other hand, there is a conditioning factor related to "customer experience" in

which candidates expect the same treatment from an employer as that of a brand trying to please them. For example, as consumers, we would struggle to understand that our needs are not the top priority of a brand. This is starting to happen at companies with their employees and best candidates.

The third factor that comes into play is the Digital Transformation. This is a revolution driven by technology, but in reality, the strongest effects have taken place in something as minimally technological as our minds.

Thanks to technology, we have become empowered beings who are accustomed to providing and receiving instant feedback, to participating in decision making processes, to communicating instantaneously with whom ever we want, to sharing knowledge, and in summary, to participating in a society that has democratic access to information and communication. It can be said that the Digital Transformation has in fact been a social or a cultural transformation because if all the technology suddenly disappeared tomorrow, we would never be the same people as before the technological revolution. We have changed.

The challenge in managing talent

One of the main problems that companies face in recruiting candidates lies in the fact that most companies are still focused on selling and measuring aspects related to the roughest and most tangible part of their offering: the terms and conditions they offer, the career

plan, the hierarchy, the training, etc. In other words, in Simon Sinek's⁴⁷ golden circle, they address the "What" and the "How". However, these two elements alone cannot generate (or explain) the ability to recruit and retain talent today because we are not paying attention to key factor: the "Why".

Why should I decide to spend my best years here? Why should I contribute my talent to this cause? Is there a more inspiring place I could be? Am I improving the world? Does this option match my expectations? Will I experience an adventure here that excites me and brings out the best in me?

A number of human resources professionals we work with on a regular basis have stated that they currently do not have an effective way of measuring these types of questions that are related to the "why" as opposed to the "what" or the "how". These matters cannot be measured by work atmosphere surveys that are completely necessary but only measure some of the elements that determine whether or not a company is attractive for talent.

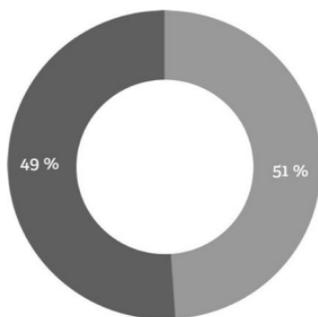
The study

In order to measure the reputation component of the "employer brand" of companies, 465 online interviews were carried out on a sample of Spaniards who are currently working or looking for work or are students. (The inactive population and people not looking for work were excluded).

47 https://www.ted.com/talks/simon_sinek_how_great_leaders_inspire_action

Technical details of the study

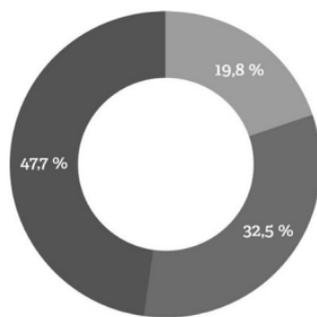
Gender



Men

Women

Age

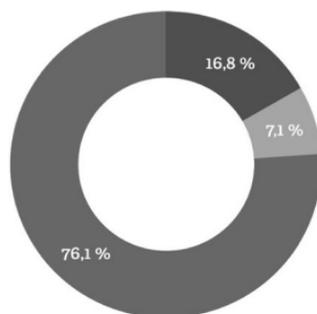


18 to 34 years

35 to 54 years

55 years or more

Current professional situation

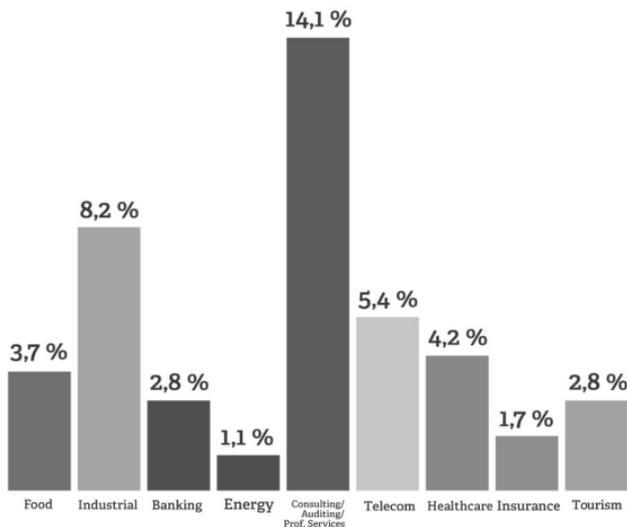


I am working

I am a student

I am looking for work

Industry



Source: own elaboration

For this study, we asked about five dimensions that affect the effective ability to recruit and retain professionals: contribution, integrity, transparency, image, and credibility.

Image: This is an indicator of positioning. It measures visibility, differentiation, and success. It generates a positive feeling in people. It shows that the company is attractive in the industry in which it operates.

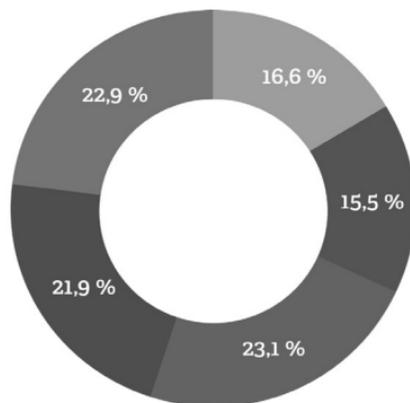
Credibility: This is an indicator of experience. It measures how expectations are managed, whether promises are fulfilled, the quality perceived and good corporate management. It is based on the belief that the company is not deceitful.

Transparency: This is an indicator of communication. It measures a company's ability to explain itself. It is based on the belief that the company is open and transparent.

Integrity: This is an indicator of ethical behavior. It measures the degree to which a company's values are aligned with citizen values. It is based on the belief that the company is honest, honorable, and fair, and it follows rules (exemplary behavior).

Contribution: This is an indicator of relevance. It measures a company's ability to solve problems that affect society.

"Of the aspects we have listed, which ones are most important to you when rating a company?"



Source: own elaboration

As a result, we have been able to confirm that there is a high correlation between a company's reputation and its ability to recruit talent. Also, nearly 50 % of an employer brand's value is related to its corporate reputation.

Our study focused on comparing the main industries of Spain's economy through the perception that professionals, people actively looking for work, and students have of those companies. (The inactive population and people not looking for work were excluded.)

The following industries were analyzed:

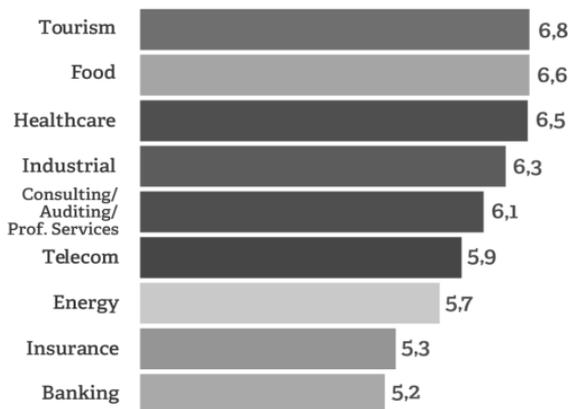
1. Food
2. Industrial
3. Banking
4. Energy
5. Consulting/Auditing/Professional Services
6. Telecommunications
7. Healthcare
8. Insurance
9. Tourism

The results

The sample group gave companies from the Tourism industry the highest rating as employers, with an average score of 6.8 points. This was followed by the Food industry with 6.6 points, and then the Healthcare industry with 6.5 points. However, the Healthcare industry had the highest percentage of people (20.6 %) who gave it an outstanding rating with a score of 9 or 10 points.

On the other hand, the individuals surveyed perceived the Insurance and Banking industries as the least appealing employers, with 5.3 and 5.2 points, respectively.

“Overall, how would you rate the companies of the following industries as employers?”



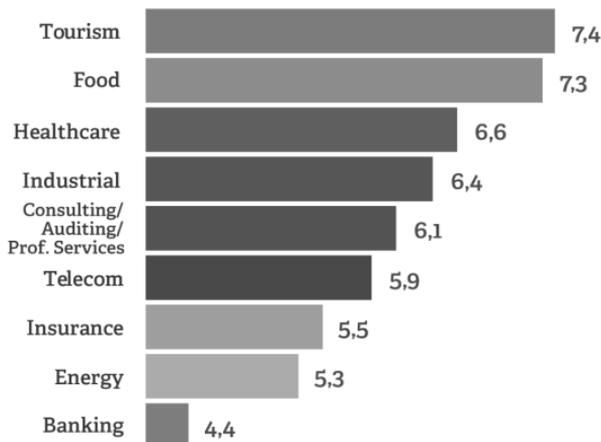
Source: own elaboration

In line with their assessment of employer industries, the industries with the best overall reputation in the eyes of those surveyed were also Tourism and Food (7.4 points and 7.3 points, respectively), while Energy (5.3 points) and Banking (4.4 points) had the worst reputation.

The Food and Tourism industries have an overall reputation that is above their employment appeal, while the opposite occurs with Banking and Energy. In the specific case of Banking, despite its poor reputation (4.4 points), its overall employment rating is nearly one point higher (5.2 points).

The sample group's perception of these industries as a place to work is in line with their reputation and work atmosphere rating: The Tourism and Food industries benefit from a greater willingness to work.

Overall, how would you rate the companies of the following sectors?"



Source: own elaboration

However, in terms of recommending employment in a certain industry to third parties, the Healthcare industry is at the top of the ranking with 30.6 % of active opinion leaders in favor of this industry compared to a nearly identical number of unfavorable individuals 30.7 %. It is followed by Tourism and Food, with 25.5 % and 25.8 % of active opinion leaders, respectively.

The profile of the sample group does not show any general trends related to gender and age. However, if we focus on the employment situation of those surveyed, it

can be noted that the individuals who are actively looking for work gave the industries a slightly better rating, except in the case of Banking, Healthcare, and Insurance.

As far as the key drivers or dimensions that determine the reputation of the companies within an industry, for the sample group, the most important aspect was Credibility or meeting expectations, which carried a weight of 23.1 %, followed by Integrity/Ethics, which carried a weight of 22.9 %. On the other hand, Image and Contribution were less important aspects, with a weight of 15.5 % and 16.6 %, respectively.

Tourism was the most highly rated industry as far as Image, Credibility, and Transparency, while Healthcare stood out as the most highly rated industry in terms of its Contribution to society. In addition, the industries with the best rating for Integrity/Ethics were Food, Healthcare, and Tourism.

On the other hand, the Banking industry had the lowest rating for all the reputation drivers. The critical point was Integrity/Ethics, with an overall rating of 4.1 points, while Credibility or meeting expectations received a score of 4.7 points.

An open-ended question about the important aspects for the sample group when rating a company as a place to work confirmed that in addition to the practical matters closely related to the working conditions (work atmosphere, salary, hours, etc.), reputation aspects linked to the values, image, or good ethical and citizen behavior of companies were very important, along with other elements.

The secret of putting people at the center of digital transformation

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I continually hear about the challenges involved for businesses in implementing “Digital Transformation,” what it entails in terms of changes and investment to keep up with new trends and how this revolution is changing day-to-day life at companies. The usual thing seems to be to think about digital transformation as an end in and of itself, when in reality it is a means to capitalize on the realization of business objectives.

We are fortunate to be living during a dynamic moment in history, a new industrial revolution in which advances such as the Internet of Things, digital media, new storage technologies, big data and connectivity 3.0 are opening up new avenues for business efficiency and tearing down barriers. The issue now is how to get digital transformation to operate in our favor and not become

an enemy that takes us by surprise and leaves us coming last in the race.

Although there are many factors involved in achieving a successful digital transformation, I would like to highlight several of the steps below:

Globalization: Without leaving home, we can access an unimaginable amount of information about anyone. With just a few clicks, we can find a group anywhere in the world, access their webpage, find information on their Facebook or Twitter profiles, or through any other social networking service, as well as listen to their songs on YouTube (the MTV of the 21st century). As a result of this ease of distribution, businesses became global-scale companies that can distribute content anywhere in the world with similar ease, and not only content, but also any other product, with minimal distribution costs, physical presence or investment in advertising.

Digitalization: Thanks to the Internet, we can access a catalog of music or any other content from our computer in a way we could never before have imagined. Content distribution and storage is becoming digital. The cloud is king and access to information can be obtained from any device and location; there are no physical barriers to work.

The power of users: Digitalization, supported in turn by the connectivity offered by the Internet and penetration in all markets of smartphones, enables any business to use fewer intermediaries. The Web replaces transportation and logistics, but above all, it gives power to consumers. They decide how, when and where, evaluate the

product and service and also provide the platform itself with information to improve it. Uber has shown that, by trusting consumers, it is possible to transform a transportation business.

Consumption, anytime, anywhere: One of the consequences of technological innovation is the growing ubiquity of music: there are few spaces where it is not present. Ease of shipping and storage lead us to consume, for example, content, videos, TV series and movies differently, since they can be purchased, stored and enjoyed virtually anywhere we may be. The key is that any business strategy must have its “mobile” expression, either through an app or direct interaction with cell phones.

Learning, the secret of cooperation: In business environments, this has fostered different services and platforms to enable user interaction in the creative process (the power of crowdsourcing, group collaboration tools like Slack). This is a factor for change resulting from the above; the possibility of working together collaboratively, even with a large number of people from very different locations. This collaborative process can create value that is not attainable individually and accelerates learning and knowledge generation exponentially.

Transformation of business models: Something that is extremely obvious due to the impact it has had on conventional large “industries” is the emergence of new players that are outside the sector and have come along and transformed business models. Clear examples can be seen in the record industry with the emergence of iTunes, or in the distribution or retail industry with the

impact of Amazon, and most disruptively, the successes of Uber and Lyft.

Change in distribution models: The impact on distribution models produced by companies that have created new models and have been able to take advantage of the change in user behavior brought about by technology. An obvious example is the impact Netflix has had on traditional U.S. networks such as Warner, Columbia, Metro Goldwyn Mayer, Universal and Paramount... the leaders in the distribution of content in digital format are no longer local distributors, but global online distribution platforms or the content creators themselves distributing over the Internet.

But lastly I would like to examine in more detail one factor I believe to be critical because it directly touches the heart and soul of companies: The new workforce.

Digital transformation is the transformation of a company –processes, communication, marketing, sales, management, customer service, culture, etc.– and that necessarily translates into the transformation of people.

People is an engine for change

Neither the largest investment nor the best technological system will achieve any progress at all unless we have done the groundwork of “evangelizing” the team. They are the people who ultimately drive and make possible any changes, so the step prior to digital transformation must be involving the team in the business objectives behind each innovation. If we can get employees to in-

ternalize the reason for change and feel part of it, then we will have come a long way.

The other issue is the importance of developing digital talent in team members, starting with management. And this entails first defining what profiles the company will need in this new stage, comparing them with the level of digitalization of the team of people and developing a digital training plan to ensure the whole organization has the necessary knowledge and tools to contribute according to their role to achieve the transformation objectives. While it is true there will be areas that will require more specialized skills in certain topics, such as communication, processes or analysis, the central idea is that the entire company is capable of riding the wave of change and surfing it dependably.

It is also very likely this whole process will throw up the need to incorporate new profiles or enhance the talent of current team members who might help lead the process in very specific areas.

The humanization of communication

as in all aspects of our lives, digital transformation is also occurring in communication. Techniques and tools that were effective yesterday no longer are today; there has been a 180 degree turn in the way we communicate. Companies are now closer than ever to their stakeholders; thanks to the Internet, connection is permanent and communication much more direct, which means a major change in strategy.

At LLORENTE & CUENCA, we have identified three essential requirements for efficient communication in the current context:

First, the transformation of formats and development of transmedia content. In a 'world overloaded by information, with millions of messages being transmitted every second, producing effective storytelling expressed in attractive formats and transmitted on the appropriate platforms is crucial.

Second, the leap from monitoring and mass communication to active listening and personalized communication. Social networks offer companies the opportunity to receive information from their customers directly and proactively; all that is necessary is knowing how to listen in order to convert that data into intelligence and raw material for creating an effective marketing strategy.

And third, the humanization of communication. If we want to communicate with people, we must do it through people. If technology has totally empowered consumers, then it is necessary for us to also empower our team members, to give the organization a "face" and foster large-scale interaction... to get the corporate discourse across using people.

It is no coincidence that today's corporate leaders excel in digital arenas. From 2010 to 2014 alone, the presence of the top 50 Fortune 500 companies in corporate or their own digital channels increased by 80 percent.

The likes of Warren Buffet (Berkshire Hathaway) or Richard Branson (Virgin) have fully understood the line between public and private has been blurred and so they

have been able to capitalize on their Web presence as a reputational asset to their companies.

The employees are the brand

a company's reputation is built by all its members day by day. There is no better advertisement than us. Investing in new tools, the development of the digital identity of professionals and converting employees into brand ambassadors on social media makes each of them a "hub" that is able to influence their immediate environment.

In a recent study, the firm Altimeter found a significant relationship between the use of social networks as internal tools and the level of a company's engagement with its employees. Similarly, it found that employee advocacy programs not only humanize brands but have a direct impact on sales by creating an image of credibility vis-a-vis consumers.

This is a capacity that has already been "installed," so to speak, because virtually all of us use some social network; so with the media already having been created, the work consists of involving the team in the company, creating an identity and sense of belonging, which can be properly oriented through employee advocacy programs.

More and more companies are becoming convinced of this and are investing in developing their people's digital capabilities, implementing attractive programs to encourage their participation in brand-building.

Technology has certainly changed our world but we should not lose sight of the fact that companies are made

up of people and it is on them that the success or failure of any transformation depends. Being at the forefront of trends and technology, innovating and competing in digital markets is not an objective in itself, it is the way to be competitive in a new economic and social context.

Winning over the millennials, the great challenge for companies in Chile

Luis González

Director at LLORENTE & CUENCA Chile

While everyone is aware that the generational change posed by the millennials is possibly the most disruptive of the last two hundred years, few companies have started to modify their policies and even their values to adapt to the principles and priorities of the generation that will be heading up companies in the coming ten years. By 2025, 75% of all active professionals will be millennials.

In this report we review the innovations in talent management and communication policies and the changes that some companies in Chile have already started to implement, and which will surely establish the path that companies and corporations must follow if they want to not only lead their markets, but also survive this paradigm shift, which is much more than a generational change.

Paraphrasing J.F.Kennedy, *“Ask not what you can do for the millennials to integrate into your company’s philosophy, ask what you must do to adapt your company to the millennial philosophy”*.

New values, new principles and new needs

We cannot seek to classify or understand them merely as young people glued to their cell phones who live connected to the social networks. Instead we must assume that they are very well prepared professionals, highly committed, and with an enormous ability and appetite for teamwork (collaborative environments) and to develop their careers based on geographical mobility.

However, the main gap between the old and new professionals undoubtedly relates to what motivates them: Whereas in the past full dedication to the job and to a single company was encouraged and rewarded in exchange for an attractive salary and some degree of security, together with the possibility of promotion, the millennial generation puts other priorities ahead of these interests, such as flexible working hours, the option for home working, international careers, free time, work-life balance, a friendly and digitalized work environment, social commitment and environmental protection.

According to the Gallup study on the Employee Engagement Crisis⁴⁸ from January of this year, only 13% of employees worldwide are engaged with their company. It is no surprise that another study⁴⁹ predicts that 2 out of every 3 millennials will leave their current company over the coming 4 years.

48 <http://www.gallup.com/businessjournal/188033/worldwide-employee-engagement-crisis.aspx>

49 <http://www2.deloitte.com/global/en/pages/about-deloitte/articles/millennialsurvey.html>

Some have already realized the importance of building loyalty with this new “professional species” and, for example, this year Telefónica Chile has implemented the so-called Millennial Challenge, whereby the 20 highest-rated young professionals will take part in a specific local leadership program.

Selecting and retaining talent

Internal development and promotion within the company itself is one of the main challenges when suitably managing talent. To achieve this, companies are starting to apply new forms of management, such as the Grüenthal Group which implements a talent management methodology each year in order to identify people within the company who have the ability in the medium-term to take on positions of greater responsibility, one or two levels higher. In this way not only do they always have their best people identified, but they also know the potential internal replacements when this becomes necessary, managing to reduce the costs involved in having to permanently turn to the market for complex positions that could be filled and developed from within.

Telefónica Chile also offers different development programs, among which we can highlight the so-called “Inverse Mentoring” where there is mutual and two-way coaching between young people and managers.

Incentives beyond the salary

The working environment is essential, and this is also understood by the Grünenthal Group where one of the strategic HR pillars is called “Have Fun”, which conveys the commitment that, in addition to offering a good workplace, the job is performed in a fun way.

For the law firm Carey, the working environment and treatment of its employees is its greatest pride, and this is based on policies on internal networking, outdoor activities, informal meetings between employees, activities for secretaries, monthly cheese & wine events, lunches between lawyers and partners, and family days in the offices.

Internal mobility is another of the aspects to improve and develop. At CGE for example, they encourage 20% of the executive level of the workforce to move each year. This is something that the employees are already becoming accustomed to and responding to very positively, adapting well to the regular structural changes.

Telefónica Chile is also establishing programs for international rotation, agreements and scholarships in other countries and the Young Leader Program whereby its employees can spend a year developing professionally at its corporate university in Barcelona.

Continuous training and regular feedback are increasingly demanded and necessary for both new professionals and old ones. Helping them to develop the sensitivity necessary to motivate their teams, teaching leaders to manage people and providing them with tools

to seek and offer permanent feedback are becoming increasingly common practices at large companies in Chile. At CGE for example, more than 500 leaders have already undertaken their training program.

Telefónica Chile has chosen to apply on a corporate basis a skills analysis of its entire workforce (so this year 50% of its leaders have already been through the process) which analyzes and assesses variables such as their digital experience, leadership profile, transformational skills and learning potential.

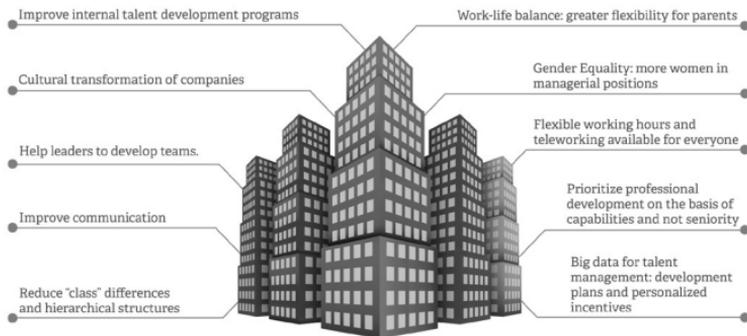
Performance management analyses have already shifted towards the need to adapt to new assessment methods, as we can see from the report by Accenture, *Is performance management performing?*⁵⁰, in which many of the values demanded by the millennials are discussed:

1. Developing the employees through frequent constructive conversations and guidance sessions. (Constant feedback)
2. Creating a culture of transparency. 79% of leaders and 69% of employees believe this is necessary in an era of extensive information.
3. Personalize performance management depending on the needs of each employee or segment of the workforce.
4. Clearly define high performance in order to take into account teamwork, effort and the ability to acquire knowledge.

50 https://www.accenture.com/t20160414T031930_w_/us-en/_acnmedia/PDF-13/Accenture-Strategy-Is-Performance-Management-Performing.pdf

Benefits in the form of time. There are multiple benefits that Carey offers its employees: hair and nail salon in the office itself, gym agreements, complementary health and life insurance, four weeks of vacation for the partners, etc. Telefónica Chile also applies, for example, “Programa Uno” (Program One), in which the list of benefits offered by the company is flexible and customizable depending on the different interests and needs of each employee.

The future which the HR and Talent Departments of companies in Chile are already preparing



Unfinished business

Despite the evident need for change there are still certain hindrances and obstacles leveraged in the comfort zone of the old school leadership which must be overcome and which feed into the daily struggle of those responsible for talent in Chilean companies.

Digital Transformation

It is not a matter of investing in the latest technology, of providing employees with access to the best digital tools, or even of optimizing the various assets and corporate channels present on different social platforms, because there is a more urgent change that must firstly be addressed for this transformation: people. Developing the digital talent of all members of the company is not something that we can leave to happen naturally over time or through generational change, because at that stage it will already be too late.

Whilst some companies still insist on preventing their employees from accessing social networks from the company's computers, -without understanding that productivity does not improve if you treat your employees like children⁴, as is graphically explained by Enrique Dans from the IE Business School in Madrid -, others have fortunately already understood that much of their reputation, the most important asset for companies, lies mainly in the digital identity of their employees and in their social interactions, a reason why they have started to introduce programs which convert their employees into the most reliable ambassadors for their brand.

Communication

This is another big area of outstanding business that needs a complete review. It is necessary to evolve from the obsolete concept of “internal communication” to that of employee engagement, and to accept that the em-

employees are the main and most reliable spokespeople for companies.

One of the first steps that companies must take is transforming the concept of information through content. People want to hear stories and this also applies to the employees. We would all like to have in our professional environment the same kind of stories in the same formats as we have in our free time (and this implies the use of a journalistic style, searching for the interest and narrative challenge or audiovisual formats). For this, it is necessary to address the content strategy so that it is:

1. Useful: it must have content that is useful to the employees if there is to be a rational reason leading to its use.
2. Entertaining: for the employees to want to continue consuming our content it must be entertaining.
3. Visibility: the employees want to be empowered, so the content must give them prominence and place them in the heart of the strategy.

Another great lever for engagement are experiences: the employees must participate in actions which allow them to come into contact with each other and the company itself, engaging in participatory experiences and offering connection frameworks.

Metrics.

In a digital world, metrics are essential if we are to accurately understand the trends, commitment, perceptions and motivations of our employees, (in other words, the

level of engagement) and further still, to measure the impact of a company's reputation as a workplace, or in other words, measuring the management of the company as an employer brand.

In this regard, it is necessary to understand the perception that both society in general and its employees (former, current and future) have of its integrity, contribution, transparency, image and credibility.

To convert employees into "fans" of their own company, corporate transparency, responsibility and commitment policies (supported by specific facts and actions) are necessary in addition to everything we have already discussed.

Millennial profile



EPILOGUE

Reputation is your most precious treasure

Fernando Carro

Chief Executive Officer of Arvato and member
of the Bertelsmann Executive Board

In an era in which information flows quickly and transparently around the globe and business practices are fiercely competitive, corporate reputation has become an essential company asset. It is key not just for their survival, but also to position themselves against their competitors.

Every day there are fewer people who think, as they did in the 20th century, that a company's most valuable assets are its physical, tangible resources. Today there is a strong consensus that our most valuable "treasure" is our reputation, the esteem we generate among our stakeholders. This is even more true given the climate of mistrust the financial crisis has created. Reputation in the marketplace allows companies to strengthen ties with stakeholders, including employees, providers, customers and the general public. It is precisely our reputations that allow us to obtain the best business results in the medium and long terms: reputation gives us more room to play with pricing, attracts capital at a lower cost and is a magnet for talent.

I am convinced we are facing a new paradigm in which ethics, effective management, social commitment, environmental awareness, talent recruitment and motivation, innovation and ongoing long-term solvency all play a role. Unprecedented.

But I am equally convinced reputation cannot be built overnight. It is the result of many years of hard work and of the way you see yourself in the world: it is the outcome of a committed and ethical attitude. It takes years to attain that “flow,” that “reputational reservoir.” But that “reputational reservoir” is what protects us and limits collateral damage in the event of a crisis. Because committed, honest, transparent and socially-conscious companies are more easily forgiven for the mistakes we are all bound to make, sooner or later. After all, it is others, our distinct stakeholders, who make us admirable—or not. They give us their trust, or not.

I firmly believe reputation is the most important intangible asset in an organization and the one that ensures companies are sustainable over time. Reputation is so irreplaceable that no one is able to simply create it when they don't have it. It is not and cannot be created out of nothing.

Before finishing this article, I would like to make something clear: reputation without communication makes no sense. Communicating who we are and what we do is a necessary tool, a key element. That is why organizations that want to be propelled by reputation as the driving force behind their business results must invest in communication. It is the only way to add real value.

LLORENTE & CUENCA

About LLORENTE & CUENCA

LLORENTE & CUENCA is the leading consulting firm for reputation management, communications and public affairs in Spain, Portugal and Latin America. It is composed of 23 partners and 500 professionals who render strategic consulting services to companies from all business sectors with operations aimed at the Spanish and Portuguese-speaking world.

At present LLORENTE & CUENCA has offices in Argentina, Brazil, Colombia, Chile, Ecuador, Spain, United States (Miami, New York and Washington, DC), Mexico, Panama, Peru, Portugal and the Dominican Republic. It also operates in Cuba and offers its services through affiliate companies in Bolivia, Paraguay, Uruguay and Venezuela.

Thanks to its international expansion, the company was ranked 54 in The Holmes Report Annual Global Ranking of the most important communication firms in the world.

It is the most awarded communications firm in the markets in which it operates. So far this year it has won 69 awards, including Public Relations Company of the Year (International Business Awards 2016). It has been recognized for the campaigns it has undertaken for clients such as Scotiabank, Avon, Campofrío, Indra, Gon-

varri, Bertelsmann, Aliseda, Lenovo, Backus, Fundación
L'Oréal, DHL, SIVA, Bezoya, Light and Casa dos Ventos.

About Developing Ideas

Developing Ideas by LLORENTE & CUENCA is a hub for ideas, analysis and trends. It is a product of the changing macroeconomic and social environment we live in, in which communication keeps moving forward at a fast pace.

Developing Ideas is a combination of global partnerships and knowledge exchange that identifies, defines and communicates new information paradigms from an independent perspective. Developing Ideas is a constant flow of ideas, foreseeing new times for information and management.

Because reality is neither black nor white, Developing Ideas exists.

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This book was written during 2016 and finished of edit,
in Madrid, in November 9th of 2016,
Day of the general election in the United States that
made Donald Trump forty-fifth president.

«The rest is silence.»

William Shakespeare

