

>> Invest in trust

Financial communication and active listening are the fastest method to reconnect with citizens

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Financial communication has become a determining factor to recover the corporate economic trust. Investors need to be promptly informed of the financial results, the company's plans and also of other intangibles that are becoming more relevant in the management of organizations. The appropriate management of the flow of information, in a transparent and credible way by organizations, is crucial to consolidate the change of this business era that is emerging after the economic crisis.

The diagnosis of the future, is the point on which the following panelist concur: [Juan Briz](#), director of Communication of Deutsche Bank Spain; [Hernán San Pedro](#), Director of Relations with Investors of Lar España, and [José Antonio Vega](#), Assistant Director of Cinco Días, during their participation in the [Corporate Communication Trends Forum organized by LLORENTE & CUENCA](#). This took place at a discussion panel on business trust and reputation moderated by [Jorge López Zafra](#), Senior Director of the Corporate & Financial Communications Area of the Firm.



WHEN TRUST WAS BROKEN

For **Hernán San Pedro**, the crisis was unleashed in 2008. The generally well-formed partnership formed by the financial markets and the companies themselves broke suddenly in the face of two errors, **some bad practices of both and an excess of indebtedness**. From there, the uncertainty turned into fear, until becoming completely opposite to the confidence that investors and the minority shareholders need. "If we speak only of the residential real estate sector, in 2008 more than 700,000 homes were sold. It was an unreasonable offer that took years to be digested."

Juan Briz interpreted the loss of confidence due to the economic crisis of 2008 as a **huge error of listening**, among other factors, attributable partly to both the companies and the directors of communication and the press.

José Antonio Vega interpreted that **the responsibility of the 2008 crisis was pyramidal, with the regulators and supervisors located at the top and the clients at the bottom**. In spite of the normative reinforcement established since then, the journalist warned of certain disconnection between certain profiles of minority investors, who still do not want to hear the warnings regarding the possible risks of the destination of their investments.

The journalist contextualized the severe global economic crisis that began in 2007 with a common phrase that is attributed to John M. Keynes: "The good progress of the economy only requires a few tons of money and a lot of confidence." In his opinion, that equation is altered the same day that the bubble burst, probably due to the same involvement of factors in most crises: too much money, too cheap and for too long.

HOW IT RECOVERS?

Since then, and as in the definition of rock and roll for Miguel Ríos, **Juan Briz** believes that the solution can be approached from three simple chords and an attitude. **“To put forward the interests of the stakeholders, to facilitate those goods and services that citizens really demand and to strictly comply with the rules”** would be the chords, and the **proactive dialogue**, the attitude.

Spanish companies have made a significant effort to deleverage. In the opinion of **Hernán San Pedro**, they have advanced in good practices and above all in the ability to combine the two essential aspects of their activity: the industrial and the investor sense. He added another positive factor: the money from institutional investors not linked to financial institutions is at levels which are similar to the one from the time immediately before the crisis.

“After the crisis, companies have been deleveraged, are extreme intangible aspects such as standards of good corporate governance or environmental care,” says **Hernán San Pedro**, and even the vast majority of **CEOs are aware that more proactivity is needed with Investors, shareholders, the press and the different opinion leaders**, presented throughout the round table.

The financial communication has been consolidated as a corporate obligation, but its focus should go beyond the presentations of results and General Meetings, the investor demands to be continuously informed, especially about the future plans and the immediate situation of the company, **Hernán San Pedro** believes

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that, in addition, it is decisive to retain minority shareholders, whose growing activism is substantially changing the information flow of companies. “With the minority, something similar happens to what was once said about China’s economy, because if its members kicked the ground together, the whole world would tremble.”

For the viability of these new practices, **José Antonio Vega** considered determinants increasingly explicit rules that are applying regulators. “Now there is **much more corporate discipline when it comes to communicating** the news, as in some way they certify the between ten and twelve profit warning of companies that have appeared throughout the year.

THE TRANSFORMATION

San Pedro gave as an example the transformation achieved in the real estate sector. Its current resurgence is taking place through a “huge reprofessionalization of the sector”, which seeks institutional investors and exerts a stimulating specialization by business niches. “Confidence is always lost at once, because it can not be cut, but it can also be recovered with appropriate catalysts; a real and clear diagnosis of the problem, internalize the changes and then transfer the delivery to society. “Trust is never what we perceive, but what others perceive.”

José Antonio Vega trusts that the press will continue to play a decisive role in the face of this necessary communication with citizens. “We have not lost the trust of readers, although in addition to the economic crisis our sector has also suffered another technology, which has made things more difficult for us.”

New agents

“If we speak only of the residential real estate sector, in 2008, eight hundred thousand homes were placed on the market. It was an irrational offer, which took eight years to be digested. It has been extremely difficult to place this surplus in full crisis, plus the surplus in tertiary: offices, logistics buildings or shopping centers. But since 2014 the real estate adjustment has started to be a test passed and investment in the sector is again attractive. Since then capital has not stopped entering capital and, what is more important, there are **new and highly professionalized agents**. New companies, very technical, that combine industrial and investment capacity, and that have specialized in different business niches”.



Corporate Communication Trends Forum organized by LLORENTE & CUENCA. Invest in confidence: create a space to foster the relationship between investors and citizens.

Triple collaboration

Juan Briz, Communication Director at Deutsche Bank Spain:

“Since the economic crisis, business strategies can no longer be stopped in the simple win of yesteryear; not even in the win / win from which we have heard talking. Today we need a triple win for companies, clients and society. In some way, the CEOs, with the dircom, are the ones who must ensure that this triple strategy is aligned. It is true that, during the crisis, trust in them has diminished, but precisely because of this they can and must assume their leadership and protagonism. Bank employees are the ones who most identify with the positive impact of their sector on society, and the role of senior management is key to boost it”.

Hearing and listening

“The media gave the alarm to the risks of bubble since 2003. I remember days and discussions with politicians and economists where we warned of unbridled rates of credit growth, and its dangerous concentration of up to 30 percent in real estate. The Competition Defense Court also issued all kinds of signals on savings banks and their multiple problems. Now, when you're at a party like the one you experienced then, having someone come in and turn off the light was not an option. We were considered mere spoilers. They were years when hearing was heard, but where each one listened to what he wanted”, comments José Antonio Vega, assistant director of Cinco Días.



Jorge López Zafra is Senior Director of the Corporate & Financial Communications Area at LLORENTE & CUENCA. He has more than 20 years of experience in the Communication sector. He is an expert in Strategic Planning, Financial Communication and Competitive Intelligence (analysis of the sector and trends). He joined LLORENTE & CUENCA in October 2016, after a first stage in the company in which he actively collaborated. Previously, he worked for Iberdrola for eight years, participating in the development of strategies and coordination of communication projects (OPS, M & A, General Shareholders' Meetings and other corporate matters). In addition, he held different positions in the company, as

Head of Strategic Communications; of Digital Communication; and Brand Intelligence and Reputation. Previously, he worked for Hispania Service and Airtel.

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