

## >> Invest in trust

Financial communications and active listening are the fastest ways to reconnect with citizen

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Financial communications have become a determining factor in recovering corporate economic trust. Investors must remain informed of financial results, company plans and other intangibles that are becoming increasingly relevant in organizational management. Appropriate, transparent and credible information flow is crucial to keeping up with the changes in the new business world, which is emerging from the economic crisis.

Outlook for the future is the one point where panelists Juan Briz, director of Communications for Deutsche Bank Spain; [Hernan San Pedro](#), director of Investor Relations for Lar España; and [Jose Antonio Vega](#), assistant director of Cinco Dias all concurred on at the [Corporate Communication Trends Forum, organized by LLORENTE & CUENCA \(LL&C\)](#). The three executives discussed the matter at a panel on business reputation and trust moderated by [Jorge Lopez Zafra](#), senior director of Corporate & Financial Communications for LL&C.

### WHEN TRUST WAS BROKEN

According to **Hernan San Pedro**, the crisis began in 2008. The generally strong partnership between financial markets and the companies themselves broke down in the face of two major facets: some bad practices on both sides and excessive debt. From there, uncertainty turned into fear, forming an environment completely devoid of the confidence investors and minority shareholders need. "If we focus entirely on the residential real estate sector, in 2008, more than 700,000 homes were sold in Spain. It was an unreasonable number that took years to properly digest."

**Juan Briz** interpreted the loss of confidence that accompanied the 2008 economic crisis as a huge error in listening, among other factors. He attributes this partly to companies and partly to communication and press directors.

**Jose Antonio Vega believes responsibility for the 2008 crisis was pyramidal, with regulators and supervisors located at the top and clients at the bottom.** In spite of the normative reinforcements established since then, Vega warned of a disconnect between certain types of minority investors, who still do not want to hear warnings regarding possible risks in their investments' destinations.

The journalist contextualized the severe global economic crisis that began in 2007 with a common phrase attributed to John M. Keynes: "Good economic progress requires only a few tons of money and a lot of confidence." In his opinion, that equation was altered when the bubble burst, probably due to the same factors present in most crises: too much money, things selling for too cheap and the situation going on for too long.



## HOW RECOVERY HAPPENS

Since then, and as in Miguel Rios's definition of rock and roll, **Juan Briz** has found the solution can be approached with three simple chords and an attitude. In this case, the chords would be: "**prioritizing stakeholder interests, facilitating the goods and services citizens demand and strictly complying with the rules,**" and the proactive dialogue the attitude.

Spanish companies have made significant efforts to deleverage. In **Hernan San Pedro's** opinion, they have improved their best practices and, above all, their abilities to combine two essential halves of their activity: the industrial and the investor. He added another positive factor: money from institutional investors not linked to financial institutions is at levels similar to those immediately before the crisis.

"After the crisis, companies have been deleveraged and are focused on intangible aspects such as good corporate governance and environmental care," says San Pedro. "Also, the vast majority of CEOs know they must be more proactive when it comes to investors, shareholders, the press and various opinion leaders."

Financial communications have become a corporate obligation, but its focus should go beyond presenting results and General Meetings. San Pedro believes investors want to be continuously informed, especially regarding future plans and the company's current situation. Additionally, he expresses that it is key to retain minority shareholders, whose growing activism is substantially changing company information flow. "With minority shareholders, something similar to what was once said about China's economy is true—if they all kicked the ground together, the whole world would tremble."



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«A comunicação financeira consijeou-se e tornou-se uma obrigação corporativa, mas o seu alcance deve ultrapassar as apresentações de resultados e as Reuniões Gerais. O investidor exige ser continuamente informado»

Regarding the viability of these new practices, **Jose Antonio Vega** believes the rules regulators are applying are crucial. "Now there is much more corporate discipline when it comes to communicating news, as they in some way justify the 10-12 profit warnings companies provide throughout the year."

## THE TRANSFORMATION

As an example, San Pedro points to the transformation achieved in the real estate sector. Its current resurgence is taking place through a "huge re-professionalization of the sector," which has sought institutional investors by enticing them through specialized business niches. "Confidence is always lost, because it cannot be weakened." However, it can be recovered with the appropriate tools, a clear understanding of the problem, an internalization of appropriate changes and successful communication to society. "Trust is never what we perceive, but what others perceive."

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

## New agents

San Pedro, head of Investor Relations in Lar, Spain, said, "Financial communications have become a corporate obligation, but they must go beyond presenting results and General Meetings; investors want to be continuously informed." If you look at the residential real estate sector alone, in 2008, 800,000 Spanish homes were placed on the market. This was an irrational offering that took eight years for the country to fully digest. It has been extremely difficult to sell this surplus of houses in the crisis, in addition to the surplus in tertiary real estate, including offices, logistics properties and shopping centers. But since 2014, the real estate adjustment has proven a successful test, and investment in the sector is attractive once more. Since then, investment capital has not stopped pouring in and, more importantly, there are new and highly professional agents. "We now see new, extremely technical companies that combine industrial and investment capacities, and that have specialized in different business niches."

## Triple collaboration

Juan Briz, communications director at Deutsche Bank Spain, believes that "since the economic crisis, business strategies can no longer stop at the simple win of yesteryear; not even in the win/win we have been

hearing about. Today, we need a triple win for companies, clients and society as a whole. In some way, CEOs and dircom professionals must ensure this triple-win strategy is in place. It is true that, during the crisis, trust in them diminished, but precisely because of this, they can and must assume their leadership. Bank employees are the ones who identify most with their sector's positive impact on society, and the role of senior management is key to boosting this."

### Hearing and listening

Vega, deputy director of Cinco Dias, says, "The media began sounding a warning bell regarding

the risks of the bubble in 2003. I remember days and discussions with politicians and economists, where we warned them about uncontrolled rates of credit growth and its dangerous concentration in real estate—which was up to 30 percent. The Competition Defense Court also issued all kinds of warnings regarding savings banks and their multiple problems. Now, when you are in a situation like the one we had back then, having someone come in and turn off the light was not an option. We were considered party-poopers. There were years when it was difficult to 'hear' properly, and everyone just listened to whatever they wanted".



**Jorge López Zafra** has more than 20 years of experience in the Communications sector. He is an expert in strategic planning, financial communications and competitive intelligence (the analysis of sectors and trends). He joined LLORENTE & CUENCA October 2016 after a period spent actively collaborating with the company. Previously, he worked for Iberdrola for eight years, where he helped develop strategies and coordinate communication projects (OPS, M&A, General Shareholders' Meetings and other corporate matters). In addition, he held a variety of positions in the company, including head of strategic communications, digital communications and brand intelligence and reputation. He also worked for Hispania Service and Airtel.

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