

# RADICAL TRANSPARENCY

CHALLENGES  
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LLORENTE & CUENCA

**CHALLENGES**  
**S E R I E S**

# CHALLENGES: RADICAL TRANSPARENCY

Non venal edition

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## Content

### **PROLOGUE**

- The sense and limitations of transparency 13  
*Jose Antonio Zarzalejos*

### **CHALLENGES: RADICAL TRANSPARENCY**

- Communication in a transparent world 21  
*Jose Antonio Llorente*

### **PUBLIC AFFAIRS**

- Tabare Vazquez: how not communicating may have been  
the worst ever decision by a politician 27  
*Alvaro J. Amoretti*

- Transparency management during election periods 39  
*Luz Angela Sanchez*

- Transparency and good governance, the keys to  
democratic decision-making 51  
*Joan Navarro & Manuela Sanchez*

### **LEADERSHIP & CORPORATE POSITIONING**

- Corporate Empathy: a new approach to reputation management 59  
*Juan Cardona & Jorge Tolsa*

### **CONSUMER ENGAGEMENT**

- The new Latin American consumer: a question of trust. A regional  
analysis of six economic sectors 67  
*Juan Carlos Gozzer & David Gonzalez Natal*

## **CORPORATE COMMUNICATION**

Communicators' 16 ethical principles <i>Jose Antonio Llorente</i>	75
Transparency, an opportunity to generate long-term trust <i>John Alves</i>	81
It's time for companies to make their voices heard <i>Arturo Pinedo</i>	85
The reputation of family businesses in the face of digital transformation <i>Javier Rosado, Pau Solanilla &amp; Francisco Hevia</i>	89
Compliance and reputation in the good corporate governance era <i>Gonzalo Carranza, Francisco Hevia &amp; Denise Ledgard</i>	103

## **EXECUTIVE COACHING**

Seven principles for managing transparency <i>Jose Manuel Velasco</i>	129
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## **DIGITAL & FINANCIAL**

Radical transparency: how to make the most of technology and boost stakeholder dialogue <i>Ivan Pino &amp; Jorge Lopez Zafrá</i>	145
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## **DIGITAL & CRISIS**

Against fake news in the company: real advocacy <i>Eva Pedrol &amp; Maria Obispo</i>	155
Keys and errors in managing reputation crises in a global society <i>Eva Pedrol &amp; Natalia Sara</i>	167
The new paradigm for crisis and risk communications <i>Ivan Pino &amp; Luis Serrano</i>	177

## **TALENT ENGAGEMENT**

The glassdoor revolution: transparency as the key for attracting talent	185
<i>Luis Gonzalez &amp; Jon Perez</i>	

## **FINANCIAL**

The integrated annual report, another step toward transparency in organizations	195
<i>Meritxell Perez &amp; Tomas Conde</i>	

## **EPILOGUE**

Transparency, an ally in the war on corruption	207
<i>Antonio Garrigues Walker</i>	

## **LLORENTE & CUENCA**

About LLORENTE & CUENCA	215
About Developing Ideas	217
Organization	219

# PROLOGUE



## **The sense and limitations of transparency**

Jose Antonio Zarzalejos

Journalist, former director *ABC* and *El Correo*

Good governance is transparent. This seems a simple enough concept to understand... and, indeed, it is. However, implementing through rules or behavior the exact type of transparency that citizens, the media and politicians refer to can be difficult. It proves especially complicated when it comes to defining the limits to transparency regarding the actions of public officials charged with ensuring the right to privacy. An arbitrary "right to know" has come about which goes beyond the proper democratic meaning of citizens' entitlement to know and scrutinize the behavior and decisions of persons in public positions.

Nowadays, transparency is no longer just the practice of good governance; instead, it has evolved and become a significant empty space capable of embracing unlimited entitlement to information on any well-known citizen's personal life - whatever the reason for

their fame - as an expression of some kind of radical democracy with clear populist overtones.

In any system upholding individual freedoms, transparency is a citizen's right. It provides access to public information for the improvement of government, helps hold political posts accountable for their behavior and guarantees fairness as a result of matters being on public record. All in all, transparency can serve to prevent malpractice on the part of administrations and those in responsible governmental positions. Transparency is a factor of certainty and, for that reason, is tremendously important when it comes to public and private investment decisions, where the economic aspect of transparency is far from negligible. And thus why all serious democracies have enacted laws such as Spain's 2013 Transparency Act, which lays down the rules on how citizens' right to know must be exercised. Sometimes transparency is actively imposed (dictated by the government), while other times, transparency is passive (required by the taxpayer). On some occasions, transparency is collaborative. In any case, a democracy marked by transparency is enriched and empowers citizens more in their relationships with public bodies.

That is the scope of transparency. What one cannot do is go beyond that definition of transparency (as established by law) and wield it as an argument to justify the invasion of privacy or as the basis for excessive and abusive demands to know individuals' private, personal and family-related information. Technology has brought down the protective wall guarding privacy, and truly outrageous acts can be perpetrated in the name of transparency by failing to properly differentiate

transparency from unhealthy morbid curiosity or unlawful profiting with stolen data for commercial purposes.

When such confusion occurs (transparency used as *carte blanche* to invade privacy), individual and collective rights, as well as freedoms, suffer. Article 18.1 of the Spanish Constitution recognizes the right to honor personal and family privacy and one's own image. Furthermore, the Spanish Constitution defends those rights through a judicial process culminating in a judgment, which may find a party guilty of unlawful intrusion into those rights (in Spain, the Organic Law of 1982)<sup>1</sup>. The meticulous attention to detail of this Act is particularly interesting, especially in the way it defines instances of unlawful intrusion into personal and family privacy (Article 7), which is so frequently breached not only due to an absence of scruples of certain people and businesses, but also because of the lack of public criteria on how we should live harmoniously in a society.

Personal and family privacy are non-negotiable, which is why individual and collective data rights are protected through a law enacted specifically for that purpose, with roots going back to 1999 in Spain. This law intends to guarantee and protect people's personal data, especially their honor and personal privacy. The Spanish Data Protection Agency is at the service of this law and is authorized to inspect and enforce administrative fines. Additionally, in the event of a serious breach, civil judicial proceedings are available. Legal instruments of this kind are completely necessary because techniques for scrutinizing the lives of citizens

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<sup>1</sup> Organic Law of May 5th, on the right to civil protection of honor, personal and family privacy and personal reputation.

are now so sophisticated and surreptitious that they can often violate all manner of controls. The European Union has now established directives for this purpose and permanently monitors the issue, as it gains moral, civic and democratic importance and transcendence day after day.

It is vital to emphasize that the transparency stemming from public life, as in the case of administrations and public sector positions, is restricted in scope; there are boundaries to personal and family privacy that must not be breached. We have every right, for example, to know the assets and income attached to certain public sector posts of a political nature. These are examples of active transparency that supersedes questions of personal privacy in seeking to render the nation's leaders accountable by publishing information on their income and assets. Therefore, it induces public confidence in those positions. Nevertheless, transparency does not per se entitle us to greater or different kinds of intrusion into their private lives or family circles.

We need to reflect on the degree of confusion now linked to transparency, privacy and freedom of the press. The last-mentioned is now so prevalent that even Constitutional Court jurisprudence has found (in several related judgments) the more well-known a person is, the weaker their right to privacy—as well as their right to protect their own personal reputation. This is especially relevant for celebrities who parade their private life in the media and then, when there is no profit at stake, seek to protect their privacy despite having waived all precautions that would have ensured their privacy remained protected. While these are exceptions to the rule, they do occur frequently. Dossiers, audio

recordings, images and documents that compromise or intrude on their privacy are frequently offered to the media. That content then comes into the public domain under the guise of freedom of expression and of the press. However, to exercise that freedom without a code of ethics and conduct can lead—and most certainly has led—to unconscionable abuses ending the careers of people in the public eye.

This debate is especially relevant today in Spain, where the confusion and mystification surrounding transparency and freedom of expression are especially serious, as each belongs to clearly different and distant areas. Thorough efforts must be made to differentiate areas in which public scrutiny remains a democratic right of citizens duly exercised as established by law and those where transparency is used to camouflage unlawful intrusion into the privacy and intimacy of citizens. It is worth reiterating that the ease with which technology can breach the few barriers in place to protect private lives does nothing to discipline unhealthy curiosity, unedifying insight into others' lives, morbid interest in intimate details or even the brutal use of personal data in political or other battles (somehow, it is always about power).

Let us not forget privacy. Transparency and privacy are in two different spheres, respond to different needs and give rise to different rights. Only those who seek to distort their meanings—and democracy—aim to prolong this confusion.

**CHALLENGES:  
RADICAL TRANSPARENCY**

## **Communication in a transparent world**

**Jose Antonio Llorente**

Founding Partner and Chairman of LLORENTE & CUENCA

The internet and social media have exponentially increased the volume of new developments and news we create and receive every day. Although we have near-unlimited access, it is unclear if we are better informed. We live in paradoxical times, in which hyper-transparency means nearly nothing is secret, yet information is also under threat.

It is surprising that to understand hyper-connectivity and the 5G environment it has been necessary to reference past mass communications research. For example, Paul Lazarsfeld's Limited Effects Theory states news (and, today, tweets) serve only to reinforce existing ideas. Clearly, for some time now, political debate has seemingly reflected this emotional and arbitrary perception that makes reaching a consensus impossible, where facts are played down or completely ignored,

government programs are condensed into a single tweet and public opinion is swayed by slogans.

Today's rise in populism is underpinned to some extent by this simplification of reality. Spurious interests often flourish with this kind of communication, where illegal audio and video files are merely two examples. As White House Counsel John Dean once told President Richard Nixon, "It's not the crime, it's the cover-up." It is the lack of transparency and the attempt to use a lie to cover up a reputational crisis that ends up ruining people and institutions caught red-handed.

Consistent, authentic and purposeful communication is what works in a transparent world. The healthiest companies suggest trends are moving in this direction and, of course, media remain the strongest defenders of our right to be informed. However, we live in a digital and instantaneous world in which transparency should be another ideal shared by different social agents, especially companies. In this post-crisis society, it may be that different political movements influence the way in which we inform ourselves, although, at the same time, more and more people require companies have a purpose, a commitment to society, a narrative and a series of values and behavioral keys with which to relate.

Transparency requires authenticity. Now is the time for companies to explain what they are doing and why; to engage in open and constructive dialogue with clients and with society as a whole; to explain corporate and commercial strategies; and to open up to the world. Acting in this manner is not a suggestion — it is a must-do. Every day, shareholders, clients, consumers, associations and the whole of society express their



opinions and points of view on each and every company. Companies that stick their heads in the sand or try to manipulate their end of the dialogue run the risk of crumbling.

Proactivity and consistency should be the other two main pillars of corporate transparency. In the wake of the 2008-2013 economic crisis, citizens have become warier of brands. Companies must offer clarity. Credibility and trust are now the drivers behind buying decisions, the degrees of affinity and the loyalty of most clients. It is an unstoppable social communications process that will ultimately spread to the political arena and will be led by the people and companies with the best communication skills, as we have seen throughout history.

Article originally published in the Spanish newspaper *El Economista* on november 15, 2018

# PUBLIC AFFAIRS

## **Tabare Vazquez: how not communicating may have been the worst decision ever by a politician**

**Alvaro J. Amoretti**

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partner company of LLORENTE & CUENCA in Uruguay

October 2017, 51 percent of Uruguayans approved of President Tabare Vazquez and 38 percent agreed with his decision-making. These were the best numbers the president had achieved since September 2015, when positive opinions started to fall because, although the economy was still growing and far removed from the figures reported by the neighboring countries of Argentina and Brazil, citizens started to express discontent primarily due to growing public insecurity, a marked deterioration in education quality and the sudden outbreak of corruption allegations, which were starting to stain the governing party and Vice President Raul Sendic.

Vazquez thought the worst was over. His strategy had been simple, but apparently effective. He decided to

visit more small towns in the country's interior to hold strategically planned meetings with his most-trusted ministers and officials. The meetings were public, but everything was arranged so the president did not have to jump through any hoops and could do what he knew best: be among the people, shake hands and wearily list some of his achievements before leaving praised.

The plan had worked well. Approval of the president's performance showed that, at the age of 77, he still had his political instinct intact. "The worst is over," those close to him would say.

However, with his positive polling and confidence reestablished, the president and his advisors let down their guard. Then, the main trade associations in the agro-livestock sector requested an urgent meeting with the president to express their concerns about the situation in the countryside.

The crisis of the Uruguayan agriculture sector—key for the nation's economy—had already started to show some warning signs. A serious drought, which at that time had already been threatening the sector for several months, was a cause for concern amongst large, medium and small-scale farmers. Additionally, a high tax burden and low profitability was affecting the entire countryside, as well as the heavy indebtedness that had been accumulating in some areas of production, such as the dairy sector.

An old agro-livestock manager used to say Uruguay is not a difficult country to govern: "almost anyone can do it... as long as it rains," he said ironically. And, for several months prior to November last year, it had not rained enough in Uruguay. Additionally, all forecasts were predicting a very hot summer without rain, which

would damage harvests, kill some animals and lessen calving, thus increasing the debt of those who already owed more than they could pay.

Hence why the agro-livestock associations asked to meet with Vazquez. "Some people are starting to get upset and you need to show them the government is aware of their problems," said the president of a union. However, the president surprised everyone by saying he was unable to meet with dairy sector representatives in November or December. He would also be traveling in January and, upon his return, would weigh his priorities and schedule a meeting "for February or March."

Some people believe this was an act of arrogance; others a lack of political skill. What is certain is the president underestimated a crisis which would undoubtedly intensify as time went by. No one warned the president about the repercussions of his error. None of his advisors or political party leaders warned him how the countryside would interpret his refusal to listen to them. What came next showed just how much that error would cost him

### **A bad climate**

In November and December, the lack of rain started to damage Uruguayan agriculture, but the president stuck to his decision. The *autoconvocados* were left in the lurch, unable to convey to the government the seriousness of what was happening, and, at the same time, they had no way to calm farmers who were growing impatient.

But what could possibly happen in January, right in the middle of summer, in a country where nothing happens in summer? That is what the president figured,

and his inner circle must have thought the same. But they were wrong. January 8, a group of farmers met up on the Uruguayan coast to analyze the critical situation they were going through. They were expecting just a few dozen people, but hundreds showed up. Social media did the rest. A WhatsApp chain message conveyed the local grievances to different parts of the country. During that day, audio messages with grievances could be heard in Montevideo, the country's capital. In 48 hours, committees had already organized nationwide rallies and protests to be held January 15.

The government still failed to meet with the agro-livestock groups, which became known as the *Autoconvocados* (Self-convened) Movement, losing any chance they had of controlling the situation. Agro-livestock managers who did not agree with his policies, but who maintained a dialogue with the government and sought to reach agreements, no longer did so. Arrogance had given rise to a movement in which complaints and requests multiplied and many no longer wished to talk but rather stop activities until those in power listened to them.

The president returned from his vacation January 15 and tried to take back control of the crisis. But, once again, with more errors than right choices. His minister of Livestock, Agriculture and Fisheries, who had been in that position for many years, had resigned late December. Then, the news became public.

The countryside decided to mobilize January 23 to the center of the country. And other sectors, such as trade, announced they would be joining the protest. The crisis had already escalated enough, and Vazquez decided it was time to act and stop underestimating a problem that had become a crisis with unexpected consequences.

Vazquez called the agro-livestock groups, the very ones he had not met with in November or December, and asked them to come over that same day. One of these, the Rural Federation (*Federación Rural*) announced it would not attend the meeting. The group was annoyed at being ignored when they first asked for a meeting. The other groups went to the meeting with the president and his new minister, but when they were told there was nothing more than a handful of measures to try, they left complaining and saying there had been a "failure to react" by those at power.

The president had planned, after the meeting, to appear on prime-time newscasts, accompanied by the country's main agro-livestock leaders. But that went wrong too. The chairmen of the countryside associations said 'thanks, but no thanks,' and left before the lights came on. And the president, who had counted on speaking on a nationwide channel at peak TV viewing times, failed to prepare his message properly and he blandly listed former measures that his administration had taken regarding the countryside in the past. The main TV channels only broadcast a few minutes of his message. The incident created some concern within the presidential circle.

The mobilization of the countryside on January 23, one of the most stifling days of the summer, brought together thousands of people at the center of the country. The production sector, more powerful than ever, launched a platform in which they asked to lower the number of public officials, eliminate half of the government vehicles, cut state publicity and the positions of trust to a bare minimum in the state sector, reduce the high fiscal deficit, significantly cut the cost of fuel and

electricity, resolve the imbalance between the market value and real economic value of the currency and win back lost competitiveness.

### **Problems at the helm**

Vazquez realized he could no longer ignore a movement that was growing and bringing together ever more supporters. Thus, contrary to what he had originally said, he agreed to meet. What he avoided doing November 2017, he would now have to face February 2018, forced by the situation.

Apparently, though, there was still room for more mistakes. February 19, the ministry of Livestock, Agriculture and Fisheries convened the agro-livestock groups and the *autoconvocados* to a meeting in which the government would announce their support for some sectors of the countryside. The new strategy was clear: to show not all farmers were going through the same crisis. While announcing mitigating measures for some, they tried to divide the mobilized front.

On that day, Vazquez decided to play the card he had used to regain his approval. So, without any prior notice, he showed up at the Ministry of Livestock, Agriculture and Fisheries and participated in the meeting. When he arrived, some farmers who knew him, and who were waiting on the street for the outcome of the meeting, greeted him. Maybe that is why, when he left, rather than using another exit, he decided to use the main door instead.

The scenario had changed and so had the atmosphere. The media, tipped off about the president's presence, were grouped together at the Ministry's entrance. And some angry farmers who had showed up, blocked the president's path and expressed their concerns.



The president started arguing with some of them. Initially, in a friendly tone. Then, by giving tough answers to some questions. "I can talk because I'm honest. I don't know whether you are honest," he said to one farmer with whom he got involved in a heated argument.

"We'll see you at the polls," someone else shouted to him. And the president, who was leaving, turned back around. "I liked that one. It shows this is a political movement," he said, while new grievances continued to emerge regarding other topics such as the lack of police response, electricity tariffs, the price of diesel and the taxes some small farmers had to pay. "Liar," shouted one man. Vazquez, who was getting out of his car and was visibly shaken, pointed at the man and had to be held back while he demanded an apology from him.

Suddenly, on a day on which the government wanted to talk about the actions it was proposing to bring some relief to the countryside in the middle of a major crisis, everyone was talking about the president's aggressive remarks.

But, things can always get worse. While the videos of the president's argument with the farmers went viral and caught everyone's attention, the website of the presidency made another error. That same afternoon it published the name of the farmer who had called the president a "liar" and revealed he had debts with the National Colonization Institute (*Instituto Nacional de Colonización*). This just made things worse. Not only did the president engage in a heated argument with someone who was criticizing him, but also the presidency used sensitive information to carry out a sort of *escrache* (public harassment or shaming). This caused strong criticism from the opposition and resulted in a notification

to the National Human Rights' Institution (*Institución Nacional de Derechos Humanos*) which, weeks later, condemned the government's actions in this case.

### **To face or not to face the music**

The *autoconvocados*' farmers continued with their grievances. The government announced it would address all their grievances on a radio station and TV channel. Everyone was expecting that, at the appointed time, it would be the president who would explain the government's position. But, to everyone's surprise—including government employees—the face that appeared on the channel was that of Fernando Vilar, a former news presenter from a private channel who Vazquez's sympathizers had always associated with the right and with information management that was not very favorable to the governing Broad Front (*Frente Amplio*).

During those 28 minutes, social media went wild. No one was paying any attention to the message the radio station and TV channel wished to convey. The image of someone no one was expecting and did not even associate with the government, talking on behalf of the Executive Authority and with four Uruguayan flags beside him, said more than the message itself. "Tell me who you are and what you've done with my president," was how one Broad Front militant summed it up on Twitter. Fernando Vilar was a trending topic. What did the government say through him? It didn't matter. The debate soon focused on how much the government had paid a communicator to appear and replace the president. Why didn't the president talk to the country about such a crucial matter? And if he didn't want to

do so, why didn't he assign this responsibility to one of his ministers? Who had advised the president to make such an odd decision?

### **Paying for it**

There were still quite a few who, in the midst of criticisms, talked about "a masterstroke" by the president. "Nobody expected it. He surprised everyone," said a member of parliament close to the president who thought the *autoconvocados* farmers were expecting to be faced by Vazquez and the latter had sent a communications specialist in his place as a way of minimizing the importance of the movement.

But if Vazquez had been properly advised, he would know that not facing such a serious problem was, yet again, a huge mistake. In fact, a public opinion poll carried out by the prestigious local firm *Cifra* revealed a few days later that 77% of Uruguayans had heard of the movement and 63% of those consulted believed the farmers who were part of this group were "partly right" or "totally right" about their grievances. Additionally, half of those who voted for Vazquez in the November 2014 elections, said they agreed with the farmers' claims. Shouldn't the president ask for an assessment like the one that came from one of the largest private pollsters instead of second guessing the strategy he should use to face this movement?

The poll was even harder on the president. For *Cifra*, there were more Uruguayans who believed the president had acted "badly" towards the *autoconvocados* than those who approved his actions. More than a quarter of his voters disapproved of the way in which the president handled the case.

With so many mistakes, what happened regarding how Uruguayans viewed Vazquez? Everything came tumbling down. According to the pollster *Cifra*, the president's 51% of support in October 2017 had fallen to 38%, the lowest approval rating for the president since he was in office.

Meanwhile, according to *Equipos Consultores*, the president's approval rating had fallen to a mere 25%, the lowest ever level for Vazquez in his two mandates. Some studies indicated less than half of those who voted for his party supported Vazquez's actions.

### **Lessons to be learned from the crisis: ¿where did the president go wrong?**

1. He underestimated the crisis and lost control of events. When he realized the sheer scale of the problem, it was already too late.
2. He postponed dealing with a key issue because of "scheduling problems" and vacations. Therefore, he conveyed a clear message to all audiences: any other topic and even holidays are more important than those who demand solutions for a serious problem.
3. He was not accompanied by advisors who would allow him to handle the crisis properly from a communications standpoint. This resulted in poor decision-making, which cost him dearly in terms of prestige and reputation. He also lacked a spokesperson for situations of potential or declared crisis.
4. He used old methods to face new problems and in different times, and forgot that what worked in one set of circumstances would not necessarily work in another.

5. At the beginning of the crisis, he turned his back on relationships that could have helped him to send signals of détente, which would have avoided tensions later. When he finally turned to them, they were already weakened by his actions at the start of the crisis. This forced him to dialogue with interlocutors who he would have preferred to avoid.
6. He lost his composure right in the middle of the crisis. His opponent and public opinion realized this, and it weakened his position even further.
7. He let his circle isolate him from reality. This is why it took him so long to realize the claims being made, and which he believed to be unjustified, actually had weight and should have been dealt with.
8. When he had to answer the demands made, he decided someone else should speak on behalf of his administration. The choice of who should do so was not properly assessed and resulted in the desired message being diluted because audiences thought it was more important to know why the leader wouldn't face the crisis and why he had designated someone who was known to represent the complete opposite to the president's ideology.
9. On several occasions, he made what in tennis is called "unforced errors." And in a crisis, that can be fatal.

## **Transparency management during election periods**

**Luz Angela Sanchez**

Senior Director of the Public Affairs Area  
at LLORENTE & CUENCA in Colombia

Transparency is a behavior or public action which manifests, without concealment or cover-up, the reality of events.

In politics, transparency can be regarded as an asset and a quality. On a personal level, this concept refers to the action of building trust in people by showing them you are consistent, practice what you preach and surround yourself with people who share your same values.

With this in mind, the characteristics governing Transparency for Colombia (*Transparencia por Colombia*), an entity affiliated with Transparency International, in regards to good practices in the public arena, are related to accessibility and accountability. These

specific aspects may be reflected to show proximity to the voter through a different way of doing politics. This can be achieved through an exemplary management record in the public area and outstanding professionalism, which breaks voters' ties to traditional politics and binds them to political commitments.

Early 2018, a management report by the country's Comptroller General determined, for the period between the second half of 2016 and the first half of 2017, that corruption cost Colombia more than \$9 billion pesos (around US\$3B). In its latest ranking, Transparency International positioned Colombia, in terms of its public policies, as one of the most corrupt countries in the world, descending from 90th to 96th place out of 180 countries. Nationwide scandals in sectors like health (the embezzlement of state funds allocated to fictitious AIDS and hemophilia patients), infrastructure (Odebrecht, Reficar) and the judicial sector (the "toga" cartel where bribes were paid to influence trials), make corruption one of the country's primary problems in the minds of Colombians.

The lack of transparency is also evident during the elections. After the second round of parliamentary elections this year, Attorney-General Nestor Humberto Martinez revealed information about a corruption network dedicated to buying votes during the recent elections, in which more than 2000 people were involved, including public officials who attempted to favor candidates to Congress. This investigation was carried out because of the vote-buying case, involving Aida Merlano, a senator elected by the Conservative Party, whom the Attorney-General formally charged July 30.

At present, 22% of Colombians believe corruption is the main issue that needs to be resolved by their next president, according to Invamer Gallup. How can transparency become the primary focus of the campaign and one of the factors with most support during election times?

Sergio Fajardo, the presidential candidate for Coalition Colombia (*Coalición Colombia*)—comprised of the Green Alliance (*Alianza Verde*) and Alternative Democratic Pole (*Polo Democrático Alternativo*) parties—, had the highest approval rating (51%), was the second option in terms of the voter intention with the 21% of support and only 3% of the population would not vote for him.

The former Mayor of Medellín and ex-Governor of Antioquia carried out a presidential campaign under the tenets of education, the fight against corruption and transparency. Despite not moving forward to the second round, he was behind by only 1.4% from the candidate who faced Ivan Duque in the second round.

Based on the above-mentioned and the fact Fajardo's transparency message was well-received by voters, we have outlined the strong points of his campaign. The following five points specifically helped Fajardo position himself and win a significant percentage of votes:

### **1. Discursive coherence**

At several junctures of the electoral campaign, citizens groups expressed their desire to choose between Gustavo Petro, Humberto de la Calle and Sergio Fajardo, to determine a single candidate from the left-wing with greater vote support. Initially, both Humberto de la Calle and Sergio Fajardo refused to join forces with Gustavo Petro. However, shortly after Petro defined his



vice-presidential platform, de la Calle's campaign team approached Fajardo to propose a joint candidacy, but Fajardo never accepted.

Some people criticized Fajardo's stance and even accused him of having a triumphalist attitude, given polls suggested he was leading in terms of voter intention. Despite this, his campaign was acting in line with the principles of a centrist party by not aligning with the traditional parties.

Gustavo Petro represented a left-wing government, with proposals neither Fajardo nor his campaign team agreed with. On the other hand, de la Calle was the candidate for the Liberal Party, one of the oldest and most traditional parties in Colombia.

Fajardo also demonstrated consistency in the final debate of the radio station "La W" after the other candidates cancelled their appearances an hour before it started, claiming they were exhausted because they had too many meetings. He kept his promise and was the only one to appear. In fact, Gustavo Petro, candidate for the Colombian Human Movement, arrived to the debate location and after discovering only Fajardo showed up, he left.

This happened two days before the elections and it proved a key turning point, as shown by the changes in voter intentions over time. During the last three months, voter intentions for Fajardo grew by 49% in the polls (from 10.8% to 16.1%) and he obtained 23.7% support in the first round of the elections.

His last consistent action was demonstrated when he announced he was leaving his ballot blank and did not vote for any of the two candidates who advanced to the second round. He maintained the main pillars of his political position and effectively delivered a message

which conveyed change and action—quite distant from the traditional political class and extremism—and always built from the center. Fajardo's stance, according to the candidate himself, did not fit with either of the two options competing in this second round.

## 2. Past actions

Fajardo was mayor of Medellín from 2004 to 2007 and governor of Antioquia from 2012 to 2015. During these management periods he won more than 20 awards and acknowledgements in fields such as education, town planning and transparency. Additionally, his two mandates were recognized by *Colombia Líder* and he received the *Best Mayor and Best Governor awards*.

These achievements are a result of the candidate's actions, which stood out for being different, transparent and aimed at improving public safety, education and the fight against poverty. As mayor, Fajardo reduced the murder rate in Medellín from 98 to 31.5 per 1000 inhabitants, significantly reducing the rates of violence and increasing urban development in the capital of Antioquia. These statistics allowed him to attain a popularity rating of 90% amongst the population of Medellín and become the mayor with the highest approval rating in Colombia at that time.

Five years after his term as mayor, he was elected governor with a 49.51% vote for the period between 2012 and 2015. The messages he conveyed were associated with transparency, the fight against corruption, cultural reconciliation and education. As governor, he ranked first in the Open Governability Index, developed by the Attorney General, and in the Departmental Transparency Index, published by Transparency for Colombia, which

measures control and sanctions, visibility and institutional integrity. Finally, he also received the *Regalias Bien Invertidas* 2015 award, granted by the Del Rosario University, *Diario Portafolio*, *Caracol Television*, among others.

During the two mandates, his value proposition was based on independence, neutrality in the face of polarization and "zero tolerance" for cronyism and established processes. Along with investment in education projects, improvements in public areas focusing on sports, science and technology centers, Sergio Fajardo presented himself as a politician who fulfilled his mission in terms of transparency management.

### **3. Campaign team**

Sergio Fajardo not only tried to be consistent in terms of what he said, but also with the people who worked with him during his political campaign. The former presidential candidate created, along with business people and academics from Medellin, the Citizens Commitment Movement (*Compromiso Ciudadano*), which has been involved since 1999 in all his electoral processes and campaigns.

This movement joined forces with the Green Alliance, headed by Claudia Lopez, and the Alternative Democratic Pole, led by Jorge Enrique Robledo, with the goal of presenting a single candidate for the Colombian presidency. Fajardo was elected as such and, from that time on, political figures like those previously mentioned, along with Antanas Mokcus, Antonio Navarro Wolf, and Angelica Lozano, have started to support the candidate.

These three alliances resulted in the creation of Coalition Colombia, which not only joined forces to present a presidential candidate, but also presented a list of candidates for Congress which signed program agreements focused on education, transparency and respect for the regions. The leaders of this coalition are known for their fight against corruption, headed by Green Alliance, and political control debates, led by the Alternative Democratic Pole.

Finally, Fajardo has not been involved in any corruption scandals and those close to him are recognized for promoting policies geared towards anti-corruption, reconciliation, education, socially-related issues and the defense of equal rights and opportunities.

#### **4. A politician far removed from traditional politics**

Fajardo not only spoke differently from the traditional political classes, his political career has been characterized in this way too. He created the Citizens Commitment Movement in 1999 and has supported it since. He is a professional mathematician, who earned a master's degree and a PhD in this field, and for a long time had a vocation for teaching.

He held several positions at research institutions, such as the National Council for Basic Sciences and the National Commission for Master's Degrees and PhDs. He was also a professor at Universidad Nacional and Universidad de los Andes; for the latter, he served as research director and mathematics department director. Additionally, he has been a visiting professor at various universities, such as the University of California, Berkeley; University of Wisconsin-Madison; University of Colorado-Boulder; and University of Oslo.

After his career as a lecturer, he decided to get involved in politics. However, in contrast to other candidates, he had not dedicated his life to politics and had only held two public positions: governor of Antioquia and mayor of Medellín. The former candidate made the most of his lecturing career and training, resulting in popular hashtags and slogans used frequently throughout his campaign. "A professor president" transmitted the message that Fajardo was not a traditional politician, that he was free of any commitment to political parties and that he was going to tackle key issues using his background as a mathematician, not political favors from parties or celebrities.

### **5. A different way of doing politics**

In a country like Colombia, with high corruption rates and numerous scandals, it is difficult for citizens to trust politicians and the traditional ways of exercising power. Sergio Fajardo understood this and it is why he has always come across as approachable and close to the voters. As he often says, "One person at a time, one pamphlet at a time."

After becoming Medellín's mayor, and even when he was the candidate for governor of Antioquia, he would go out to the streets and visit traffic light intersections, bus stations and parks accompanied by his team. He also delivered his pamphlets door-to-door and spoke about his proposals. These methods allowed him to get closer to the people.

Given he had no link to traditional political parties, even when it would give him the political structure he needed, further proved he did politics differently.

Despite being subject to much criticism about being half-hearted and failing to adopt a definite stances,

Fajardo continued to send messages of reconciliation and union. The candidate focused on ensuring both he and his movement acted according to a set of principles, not a predefined ideology or dogma. The campaign slogan, which still trends on social media today, refers to the fact that #WeCan (*#SePuede*) carry out a campaign against corruption based on transparency and union.

### **How did it help?**

Transparency was the main factor that helped Sergio Fajardo achieve 23.7% support in the first round of the 2018 presidential elections in Colombia. This result was not enough to move forward to the second round, but statistics and his gradual rise in terms of popular support were significant. It is important to highlight: this candidate did not have any support from large political parties and had no experience running for a presidential campaign. The votes he obtained were a result of favorable public opinion, as the political structures of Alternative Democratic Pole and the Green Alliance alone would not have been enough to gain much ground.

The upturn Fajardo experienced in recent months after the interparty consultations, which favored the candidates Ivan Duque and Gustavo Petro, demonstrates his growing popularity amongst certain sectors of the population. For that matter, the only territory he won was Bogota (with slightly more than 8 million inhabitants of the 48 million in the country), a city characterized by its independence from traditional political parties.

Despite the fact he did not advance to the second round, the support Fajardo received was surprising after polls predicted he would not obtain more than 16% of the votes. Pollsters Cifra and Conceptos had actually

stated he would be in fourth place. In reality, however, he was only 1.4% behind Gustavo Petro (a difference of 260 000 votes in total), who took on elected President Ivan Duque in the second round.

Many people said Fajardo needed another week of campaigning, as six days before the first round of the elections the former governor's campaign took off and ended in the best possible way when he was the only one to attend the debate hosted by W Radio. After this event, Vicky Davila, one of the most influential Colombian journalists, said she would vote for him. Additionally, the polls forecast a major growth in voter intentions, which could have been consolidated with a few more days of campaigning.

The polarized political Colombian environment, led to the strategic vote. A large fraction of the population voted for a given candidate only so another would not win. In other words, people did not vote out of conviction, but rather to avoid what they regarded as a greater threat. Also, the Colombian situation and the growing support Alvaro Uribe and his political party have had—since he distanced himself from President Juan Manuel Santos in 2010 and became his biggest opponent— led to Ivan Duque winning the majority of the right's votes.

Thus, this state of affairs demonstrates transparency helped to secure more than 4 million votes without the use of political favors or vote-buying. Coalition Colombia is expected to establish itself as one of the largest political forces in the 2019 regional elections—and will be even stronger for the 2022 presidential elections.

The consistency in what Fajardo says and decides, the positive results of his two mandates and the support of

a group of professionals committed to the same transparency objectives and principles were instrumental in strengthening his personal brand, increasing legitimacy and achieving success.



## **Transparency and good governance, the keys to democratic decision-making**

**Joan Navarro**

Partner and Vice-Chairman of Public Affairs  
at LLORENTE & CUENCA

**Manuela Sanchez**

Consultant of Public Affairs  
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In modern democracies, decision-making in politics is closely connected with lobbying—by civil society, companies and nongovernmental organizations—which exercise certain influence in legislative processes.

Numerous experts have reflected on decision-making and the roles of transparency and fair lobbying. Robert Dahl has stressed the need to disclose equitably the interests of all those involved in making common decisions. He signals that in so far as each group has partial interests and views of reality and, consequently, diverging interests, all these points of view must be

considered when making decisions. Along the same lines, Manuel Vitoria has underlined the need to avoid privileged relationships and impervious, unequal access to public authorities. Tony Blair's opinion also stands out in the academic debate, arguing that representatives in modern societies will make better decisions if they take public opinion into account and favor public debate on the major issues affecting people's lives.

From a practical point of view, organizations such as Transparency International and the Organization for Economic Cooperation & Development (OECD) uphold guiding principles in public decision-making, requiring all interested parties have equal access to information and the public decision-making processes, promoting:

**1. Level playing fields so all stakeholders have fair and equitable access to the development and implementation of public policies**

Public authorities must ensure the interests of the public and private sectors are represented in the legislative processes to adopt solutions protecting the balance of interests of all those concerned.

The authorities are thus encouraged to foster the following measures:

- More open lobbying models, encouraging participation online, via e-mail and through digital platforms.
- Reasonable time allowed for interested parties to become familiar with the process for contributing their opinions and presenting them with adequate standards of quality and specification.
- Clear, comprehensive information on the materials offered to interested parties to ensure they are readily understandable.

- Transparency and accountability to know who participated in the decision-making process and what procedure was followed to consider the contributions submitted.

## **2. Guarantee a legal framework that regulates lobbying in decision-making**

It is also advisable to regulate transparency in lobbying by the different stakeholders who participate in public decision-making processes. According to *Foro por la Transparencia*, a Spain-based organization bringing together several of the leading law firms and consultancies, which works to promote specific regulation of stakeholders, we need:

- Public administrations to create compulsory stakeholder registers.
- The publication of a Code of Conduct to guide the actions of lobbyists and penalize any breach of the Code.
- Public access to the agendas of senior officials and freely designated staff, identifying the reasons for meetings and the principal documents exchanged, as far as possible within the confines of trade secrecy and personal data protection.
- Institute the "legislative footprint" processes, publicizing meetings and reports used by MPs and officials in legislative processes.

## **3. Compliance with the rules on lobbying in decision-making**

Compliance is a particular challenge when legislators address emerging concerns such as transparency in lobbying.

The mere approval of rules does not guarantee their correct implementation and application. They need to be backed up with a system of penalties and sufficient human resources to enforce compliance. All key actors, particularly politicians, civil servants, lobbyists, civil society and independent watchdogs should be involved both in establishing rules and standards to guide their activity and putting them into effect.

#### 4. The growing complexity of public decision-making recommends adopting a technical view of the challenges facing legislators

In these times of globalization and digitalization, it should not be overlooked that the areas to be regulated by legislators entail an unprecedented level of technical complication. Consequently, stakeholders can improve policy regulation by providing rigorous knowledge on technical issues. If the experts do not contribute their technical opinion, the interests of both citizens and the private sector may well be adversely and unwittingly affected by a poorly deliberated public policy.

##### Guiding principles for regulating lobbying in public decision-making

TRANSPARENCY	INTEGRITY	EQUAL ACCESS
<p>Compulsory register of stakeholders</p> <p>Supervision of the registration system and penalties for non-compliance</p> <p>Implementation of legislative footprint</p>	<p>Prior and subsequent restrictions to reduce the risks associated with revolving door practices between the public and private sectors</p> <p>Codes of conduct for public sector employees</p> <p>Codes of conduct for stakeholders</p>	<p>Implementation of online mechanisms favoring public lobbying in decision-making</p> <p>Clear, comprehensive information on the materials provided for interested parties</p> <p>Public access to senior officials' agendas</p>

Raising the transparency standards in public decision-making is essential to favor models of governance that allow the inclusion of several points of view and solutions in the legislative processes. They also contribute toward:

- Designing fairer laws and implementing fairer policies, reflecting the diversity of opinions and concerns, which have been included through a process that takes into consideration opinions from all interested parties.
- Establishing an early alert system enabling legislators to detect public concerns from civil society and the private sector.
- Strengthening democracy and preventing social tension among different actors.
- Handling social conflicts by bringing different interested parties and stakeholders together around one table.
- Designing fairer laws and implementing fairer policies, reflecting the diversity of interests.
- Making sure proposed policies are legitimate, and implementation is responsible and appropriate.

In sum, the only way to move toward standards favoring lobbying by citizens, companies and non-governmental organizations in legislative processes (thereby contributing toward a greater protection of public interests) is by enhancing transparency, integrity and impartiality.

**LEADERSHIP  
& CORPORATE  
POSITIONING**

## **Corporate Empathy: a new approach to reputation management**

**Juan Cardona**

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Understanding the influence of shared beliefs on corporate reputation is key. Behavior is a key element, but equally important is the interpretation (or meaning) that behavior can have among certain groups or publics. Even when considering the same behavior, reception can be very different depending on who it is targeting. And the final assessment —that is, reputation— depends more on interpretation than on the behavior itself.

Reputation is a subjective and emotional assessment. Over the last decade, the approach to reputation

management has focused on properly managing the gap between perception and reality. The logic was as follows: "Do things well and communicate them well and, as a consequence, you will improve reputation and recognition." Therefore, in past models the key to reputation was the excellent management of intracompany dimensions, such as economic results, commercial aspects, human resources, innovation and social responsibility, among others.

However, recent research in neuroscience shifts the focus onto the management of shared beliefs and the expectations deriving from them as the basis of reputation management. The reasoning: "Act as is expected of you." If you exceed expectations, you will have a good reputation.

A dramatized example of the importance of a system of shared beliefs to reputation appears in the following story: A man returns to his childhood home to start a new life, but constantly collides with what "is expected of him" —that is to say, with the community's expectations of him and his behavior. In the end, he must act according to their expectations to be accepted and valued. Surely you know we are discussing John Wayne, *Innisfree* and *The Quiet Man* (John Ford, 1952).

There are five types of expectations that, when met, can effectively improve the reputation of a company, brand or person.

### **1. Aspirational expectations**

The image or attractiveness that the organization / person projects socially and with which we want to associate ourselves with. Who does not want a fun, healthy life full of friends? A family business in New



Zealand has revolutionized gyms around the world with their Les Mills concept. Associated with Reebok, thanks to its connection with the dreams of urban western citizens, it has become a sector giant. Every day, millions of people share their passion for a brand that offers them happy moments and has been able to fully identify with their aspirations.

## **2. Pragmatic expectations**

Utility, fulfillment of promises and expected results. Iberia and Iberia Express received the "World's most punctual international airline in 2016" award. This is an award of great importance in a sector where the promise of good service and punctuality is key to compete, and where pragmatic expectations play a decisive role.

## **3. Relationship expectations**

The type of relationship consumers expect to have with a company or person (trust, closeness, honesty, etc.). All sports lovers associate the All Blacks (Princess of Asturias Sports Award 2017) with generosity, effort, greatness and love for their fans. Once the World Championship finished, a child jumped into the field to hug a player. The athlete's reaction reinforced the team's collective reputation, because it totally exceeded expectations: Sonny Bill Williams gave the boy his world champion medal.

## **4. Ethical expectations**

The demonstrated values of an organization or person and how they relate to the public's values. Nov. 3, 2017, just a few days after Kevin Spacey was involved in a

scandal over alleged sexual harassment of minors, Netflix announced it would not renew the hit series *House of Cards* (starring the actor), as long as Spacey was part of it. It also stated that it was canceling a film project on Gore Vidal starring him.

## 5. Social expectations

The purpose or contribution an organization or person makes toward helping or solving social problems. Climate change—and droughts in particular, have made conscientious water usage a frequent subject of discussion, and one that is particularly important to Spaniards. Understanding this concern, Coca-Cola has committed to minimizing the water it consumes and returning all the water used to make its products to the environment.

These five types of expectations transfer to the management model in the following five ways:

- **Image.** Whether a company or person "generates positive feelings among target publics." It allows us to measure the degree of alignment with stakeholders' aspirational expectations (whether they want to see themselves related to that brand or person—or not). It allows us to classify company or personal image based on its assessment as innovative, differential, current, devalued or obsolete.
- **Credibility.** Whether a company or person "lives up to the promises it generates." It allows us to obtain an indicator of reliability that measures degree of alignment with stakeholders' pragmatic expectations in relation to fulfilling promises made (perceived value). It allows us to classify a company or person

according to their reputation as excellent, rigorous, disciplined, informal or fraudulent.

- **Transparency.** Whether a company or person "provides clear and sufficient information about its activities, products and services, without cheating." It provides an indicator of a company's ability to explain itself and establish honest relationships with its publics. This also measures degree of alignment with the expectations surrounding dialogue and relationships with stakeholders, allowing us to classify a company or person as close, proactive, reactive, opaque or deceitful.
- **Integrity.** Whether a company or person "acts ethically and honestly in the market." This provides an indicator of how behavior aligns with values, as well as measures the degree of alignment with stakeholders' ethical expectations. In other words, is it an honest, fair and respectful company (one with an exemplary conduct)? We can then classify a company or person as exemplary, honest, legal, cheating or corrupt.
- **Contribution.** Whether the company or person "contributes to improving society." This indicator measures the degree of alignment with stakeholders' social responsibility expectations, allowing us to classify a company or person as committed, responsible, insensitive, irresponsible or harmful.

Naturally, companies that want to enjoy a good reputation will have to "do things right" and "communicate well." However, doing things right means, firstly, understanding stakeholder expectations.

The traditional approach to reputation management works using communication as a directional tool to

convey messages to the public through specified channels. Today, we know reputation management works the other way around: A company must first listen to and interpret the beliefs and expectations of the public, then formulate an empathic response. Put simply, it must understand its audiences to be understood by them. This includes both the action plan and communications plan, as both affect stakeholders' interpretations and final assessments.

Communication and reputation are part of a master formula that generates value for companies, institutions and people. Increasingly, these economic actors know these are two factors that can truly help grow their businesses, improve income and better navigate a very complex and demanding market. The public has great expectations, and we must know how to respond from within the profession.

**CONSUMER  
ENGAGEMENT**

## **The new Latin American consumer: a question of trust. A regional analysis of six economic sectors**

**Juan Carlos Gozzer**

Managing Director of the South Region  
at LLORENTE & CUENCA

**David Gonzalez Natal**

Leader of the Consumer Engagement Area  
at LLORENTE & CUENCA

### **Latin America: a region in constant transformation**

Although way below the performance indexes of Asian economies, the more than 2% growth expectation forecast over the next two years for the Gross Domestic Product (GDP) in Latin America<sup>2</sup> reflects a sustained economic recovery in the region, largely underpinned by domestic consumption. In this scenario, the trust

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<sup>2</sup> The Economic Commission for Latin America (CEPAL), along with other multinational organizations, calculates an economic growth of 2.2% for 2018, due especially to domestic demand.

relationship between consumers and businesses is a cornerstone for development in the region.

This study explores this 'trust' relationship and its challenges based on almost 4,000 surveys in nine markets (Argentina, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Peru and the Dominican Republic) and six key sectors: food & drink, automotive, pharmaceutical, financial services, retail and telecommunications.

Trust scale

Score	Rating
9-10	Outstanding
7-8	Good
5-6	Vulnerable
3-4	Poor
1-2	Very Poor

Source: own elaboration

## The new Latin American consumer

The strength of private consumption in Latin America is one of the many indicators that reflect a number of changes, especially<sup>3</sup>:

- Growth of urban population: it is calculated 85% of the Latin American population will live in urban areas by 2030, increasing demand for housing, infrastructure and services.
- Rise of single-person households: the number is rising to unprecedented levels in Latin America.
- Older consumers: those aged over 65 currently represent 7% of the Latin American market. This figure is expected to reach 15% by 2020 (83 million).

<sup>3</sup> Euromonitor International, *Consumer Lifestyles in Latin America*, March 2018.

- Increasing income of Latin American households: mostly as a result of the larger number of women in the labor market, their participation is expected to grow by 20 million up to 2030.

Just as in other parts of the world, these socio-demographic movements accompany global trends that have given consumers more power in their relations with business, such as:

- Increased connectivity. More than 61% of the population in the region is now connected to the internet. Although there is still work to be done in this respect, progress has clearly been made. And this greater access drives the new Latin American consumer.
- E-commerce. In the wake of this increased connectivity, e-commerce is expected to grow by 16% over the coming years. Apart from the figures, this trend shows that consumers are more active and proactive in their relations with businesses and brands.
- Hypertransparency. Inevitably, the increased connectivity and boom of social networks have converted the relationship between brands and consumers into a glass box, which requires a more direct, transparent approach. The challenge of meeting expectations in an era of fake news is not to be infallible, but rather to be honest when one makes a mistake.









Against this backdrop, consumer-business trust also blends with exercises of citizenship that are very important for both parties, especially for businesses, which must boost this trust relationship as the driving force for growth.



## The keys to trust in the region

The main conclusions drawn from analyzing the perception of trust in six economic sectors, polling almost 4,000 consumers in nine Latin American markets are:

Trust in the sectors by countries

		Food & Drink	Automotive	Pharmaceutical	Financial Services	Retail	Telecommunications
Argentina		7.4	6.8	7.3	5.7	6.6	6
Brazil		7.4	7.4	7.5	6.8	7.2	6.4
Chile		6.6	6.7	6	5.8	6.3	6.3
Colombia		7.6	7.4	7.2	6.8	7.6	7
Ecuador		7.6	7.2	7.6	7.1	7.3	7.1
Mexico		7.9	7.4	7.8	6.7	7.7	7.3
Panama		7.7	7.6	7.5	7.3	7.6	7.4
Peru		7.3	6.4	6.8	6.4	7	6.8
Dominican Republic		7.8	7.5	7.6	7.1	7.4	7.3

Source: own elaboration

1. Although there is generally a good climate of trust in companies, no sector has an outstanding rating on the trust scale. No sector in the region enjoys exceedingly strong trust. However, on average, Latin American consumers trust their companies more than Spanish consumers.
2. Consumers are more trusting in the north of the region than in the South. Mexico, Panama and

the Dominican Republic had higher trust levels. Chile, Argentina and Peru had the lowest trust levels.

3. Food & drink is the sector with the highest trust rating in Latin America. The pharmaceutical sector ranked second in terms of trust.
4. The financial and telecommunication sectors received the lowest trust ratings in the region. Data management, transparency and ethical issues weighted heavily in the perception of those polled.
5. Automotive and retail have above-average trust in the region. The key factors of these sectors for Latin American consumers are product guarantees and information.
6. Credibility, which derives from product/service, and integrity in business practice are key dimensions for consumer trust. Transparency is important but ranks below the other two in priority.

**CORPORATE  
COMMUNICATION**

## **Communicators' 16 ethical principles**

**Jose Antonio Llorente**

Founding Partner and Chairman of LLORENTE & CUENCA

Post-truth and fake news have been used by communicators for several years now, but in September of last year, the bankruptcy of Bell Pottinger, as a result of its practices in South Africa, suddenly awoke the conscience of the communications industry. The reputation of a sector that, ironically, sells reputation, was struck from within by the scandal that caused this British firm to disappear.

Just three months ago, Cambridge Analytica, also London-based, but directed by the family of Robert Mercer, an American known for supporting conservative causes, was dissolved after an investigation and judicial proceedings identified its participation in various election campaigns, including those that took Donald Trump to the presidency or the referendum that led the UK to vote in favor of leaving the European Union. Once again,

the industry gave up its role as a witness and became the main protagonist of poor professional practices.

To date, we have looked at fake news and post-truth, as various manifestations of lying and as if they were something unrelated to our professional practice, yet it is another difficulty that we, as communicators, have to face, as if it were intrinsic to our industry. We would not want to think that behind fake news, there could be "one of us."

Early February, while shaken by the global impact of the Bell Pottinger scandal, the Global Alliance for Public Relations and Communications Management held an ethics-focused summit in Madrid, where representatives from main professional worldwide associations attended.

Richard Edelman, president of Edelman - and who had repeatedly expressed his concern for the reputational impact of the previously mentioned events - endorsed, through his presence, the consultancy sector's commitment, in view of the danger signs represented by this kind of behavior so outside its ethical framework.

LLORENTE & CUENCA also supported the initiative of the Chair of the Global Alliance for Public Relations and Communications Management Jose Manuel Velasco, also head of the Executive Coaching Area at our consulting firm. Arturo Pinedo, partner and managing director for Spain and Portugal, also participated in the meeting, which resulted in the formation of a task force to establish some global principles which are generally applicable to the entire profession.

The representatives of the participating associations agreed upon the following statement:

The present confidence crisis is reducing the capacity of institutions, governments and organizations to operate

effectively in society. Fake news and the inappropriate use of automated communications in particular, erode the confidence and reputation in our institutions.

To counteract this and take a leading position in the global practice of public relations, several professional associations met in Madrid to explore possible improvements to their codes of ethics which, as a whole, guide hundreds of thousands of professionals worldwide. The participants in this global discussion agreed to explore ways of improving and heightening the reputation of public relations as the watchdogs of confidence by improving codes of ethics and agreeing on a general set of principles to guide the profession.

Despite the difficulties entailed in reconciling the opinions of professional associations of different natures and origins, the group finally settled on 16 ethical principles for practicing communications. It is a milestone that cannot go unnoticed in our sector, as the main raw material we manage is credibility, which is seriously threatened by all kinds of players for whom the truth is uncomfortable. Recently, 300 U.S. newspapers and several international communicator associations, including Global Alliance, signed a statement regarding the defense of freedom of the press worldwide, which has been threatened by the irresponsible conduct of some governing entities in several countries, including the United States and the Trump administration.

The Code of Ethics of the Public Relations Society of America (PRSA), the largest professional communications association in the world, stresses the importance of managing information responsibly: "Protecting and advancing the free flow of accurate and truthful

information is essential to serving the public interest and contributing to informed decision making in a democratic society."

As journalists and communicators, we are fighting this war on the same side: that truth is the utmost goal—a truth that is made up of facts and emotions, which cannot be disassociated and that has a direct impact on the trust placed in all the institutions that govern our society. As communication professionals, we have a social responsibility that goes beyond a commitment to the organizations we serve, either as in-house professionals or consultants.

Following this train of thought, the principles agreed upon duly state: "By serving organizations and employers, we are dedicated to building and maintaining essential relations between those who allow working relationships to be established, improving communications, understanding and cooperation between various people, groups and institutions in society."

We "[serve] in the public interest" is the exact wording of one of the guiding principles. The communications manager is not only at the service of the organization he/she belongs to, but he/she must also act as a guarantor of dialogue with stakeholders. Our main mission is to listen to the conversations related to our organization, ensure consistency in corporate reporting and decode the context to seek harmony between the interior and exterior. If we fulfil our mission effectively, we will not only bring value to the entity we serve, but also to society as a whole, by facilitating dialogue between the various social players.

In the same way water companies have to strive to ensure quality (guaranteeing supply and purity), as

communicators we are responsible for striving for quality communications for all kinds of organizations, from institutions to companies, as well as their stakeholder groups. Security of supply is equivalent to creating safe spaces for dialogue, and sanitation is equivalent to the credibility of the content we generate to incentivize this dialogue.

The 16 principles developed by the Global Alliance for Public Relations and Communications Management and the International Association of Business Communicators (IABC), adhered to by the International Communications Consultancy Organization (ICCO) and Public Relations and Communications Association (PRCA) United Kingdom and Middle East North Africa, are a guide to maintaining the reputation of a sector which cannot afford the existence of any doubts about its professional practices.

### **Guiding principles**

1. Working in the public interest.
2. Obeying laws and respecting diversity and local customs.
3. Freedom of speech.
4. Freedom of assembly.
5. Freedom of media.
6. Honesty, truth and fact-based communications.
7. Integrity.
8. Transparency and disclosure.
9. Privacy.

### **Principles of professional practice**

1. Commitment to continuous learning and training.
2. Avoiding conflicts of interest.



3. Advocating for the profession.
4. Respect and fairness in dealing with publics.
5. Expertise without guarantee of results beyond capacity.
6. Behaviors that enhance the profession.
7. Professional conduct.

## **Transparency, an opportunity to generate long-term trust**

**John Alves**

General Manager of McDonald's Spain

In this constantly changing world—where new technologies have revolutionized how we relate to one another and how we consume content, where consumers have unlimited access to information and are increasingly sophisticated and demanding—corporate transparency is no longer just a suggestion. It is now a ‘must do.’

This is where large corporations, such as McDonald's Spain —the company I represent— must keep up with society, be able to respond to consumers' demands and, in a way, speak the same language. Far from being a burden, opening up our information and being increasingly transparent gives us an opportunity to be honest with ourselves and those around us.

More specifically, looking at catering companies, their consumers are especially demanding and becoming more concerned about what they eat, where the products

come from and what nutritional benefits they offer. They require companies be transparent with the information they provide on their products and processes, and appreciate third-party certifications supporting that information.

In the food industry, we have been committed for some years now to offering consumers clear information on our products' ingredients and nutritional value and have developed a simple and easily accessible system using readily identifiable icons. This enables consumers to decide what food best suits their needs and lifestyles. This is the case of the traffic light system in countries such as the UK or Spain, the Keyhole system in the Scandinavian countries and the Nutri-Score labeling proposed by France.

Similarly, as an industry, our greatest asset is food quality and safety throughout the entire value chain. Transparency in the supply chain is extremely important, so we know where products come from. In our case, we establish strict controls and continuous communication with all links in the chain, from: raw material selection; suppliers' production methods; food temperatures and transport conditions; and cooking methods at the restaurant, where over 80 inspections are made daily.

But consumer demands go way beyond companies' normal business activities. They are increasingly sensitive to social and environmental causes, and trust responsible and committed companies offering society tangible and transparent results. So, aware of our company's role, we channel major efforts to actions addressing climate change, recycling, child nutrition and youth employment, developing projects along these lines in all the countries in which we operate.

In short, companies work for consumers and our stakeholders, seeking to satisfy them and to learn and grow together with them every day. Being honest and transparent gives us an opportunity to approach them and create an environment of solid and long-lasting two-way trust. And this is something for which we will continue to work hard.

## **It's time for companies to make their voices heard**

**Arturo Pinedo**

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at LLORENTE & CUENCA

In the recurrent and inevitable analysis of social changes that overwhelm us, I've asked myself, "where are companies' voices?" Many business leaders say they can take on these challenges and that they are willing to adapt to modern times; just attend an executive forum or read the countless interviews in the press on this topic to understand what I'm talking about. However, it seems most companies are passively viewing the revolution, more concerned with deciphering what will affect their behavior, instead of providing ideas that lead the way.

Are companies on the defensive and doing their best to adapt to the changes forced upon them... without an active say in the debate? Or are they trying to take the lead by proposing new ideas to satisfy an underlying need for certainty and security?

Since the early days of capitalism, companies have responded to change by surrendering power in certain areas when faced with strong social pressure or when their survival appeared to be at risk. Companies accepted profit distribution, advantageous social measures for workers and even regulations limiting their actions in the marketplace.

The fact that companies are not yet fully aware of the looming tsunami may be why they are so content in their comfort zone; simply seeking legitimacy in a transforming environment, governed by one set of criteria today and another tomorrow. The concept of having social license to operate may be undermined if that license merely reflects the acceptance of any external imposing forces. This external pressure is often driven by irrational concepts or opinion swings, fed by ideas that gain strength due to their capacity to mobilize stakeholders. The absence of solid counter-arguments, combined with public apathy, only aggravates this situation.

It is true that companies frequently attempt to bring reason forward, but it is equally true to say they rarely succeed. I believe there are two main reasons for this: firstly, companies have not been considered respected and valued voices of authority for some time. Also, the arguments they put forward almost always ring of self-justification, defense of own interests or resistance, and rarely amount to innovative, original, attractive or inspiring proposals.

We are now facing a new paradox: on the one hand, factors such as job instability, inequality, the digital gap and the erosion of social entitlements seem to feed the notion that we are back in an era of soulless capitalism.

But, at the same time, we find a new scenario marked by potent activism on behalf of citizens. This is helping shape government policies that are, in turn, sustained by parties that have broken away from the status quo. The public voice echoes increasingly and drowns out the voices of corporations. These new groups and political movements have demonized "the markets" and their representatives, permanently questioning the transparency and responsibility rhetoric many corporations go to great lengths to spread.

Power traditionally wielded by large corporations is now distributed across several players who are working together (although not necessarily in agreement) to bring major political, social and economic change. The most prominent thing is that some of the largest companies in the world are among the precursors to this revolution (Google, Uber, Facebook, Amazon, Alibaba...) and top the rankings on turnover or stock-market capitalization, driving great technological innovation and new economic models. Such corporations are indeed defining how they want the future to look, although their world-view has much more to do with self-interest, rather than necessarily seeking to uplift the interests of society as a whole.

Faced with these challenges, society looks to companies for answers. What are their solutions to the increasingly deteriorating labor relations and the almost definitive disappearance of mutual loyalty? What about the threat of technological unemployment, or the need to transform production processes to reduce environmental impact? Or the undesirable effects of globalization and localism, and the likely expulsion of millions of citizens/consumers from the system as a result?

The time for grandiloquent gestures, politically correct headlines, short-term views and reluctantly moving forward is running out. In a world characterized by the erosion of moral, ideological and intellectual reference points, companies can and should reclaim their leadership role, demonstrating an ability to reconfigure their entire discourse and actions, to propose a new model for society with the objective of building a better future for all.

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## **The reputation of family businesses in the face of digital transformation**

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In Central America, family businesses are among the most important players in economic and social life. Despite their divergent development and countless differences, these businesses share many characteristics and challenges. On one hand, their strategic behavior is different from that of other enterprises, as they sometimes make decisions that go beyond the interests of profitability or suitability of the business. On the other

hand, they tend to be strongly committed to their employees and collaborators and generate considerable social and economic value throughout the countries in the region. Their weight and economic representativity, their commitment and contribution to the areas and communities in which they operate and their desire to be stable and long-lasting make them a key player in the region's social and economic development.

### **The challenge of corporatization**

The first challenge confronting these businesses in recent years has been the huge transformation entailed in their corporatization, that is, putting each person in their corresponding place and reconciling the complex dynamics arising in their triple nature as family members, shareholders and workers. At the same time, they have their sights set on surviving the third generation, when family businesses go through a crisis and even disappear as such, an occurrence that affects the majority of such businesses. Their experiences in recent years show the shift from a "family business" to a "business family," as it is usually easier to identify and secure the best human resources to make the business sustainable.

Despite specific challenges, the family business is not immune to the major trends we face as a society, such as opening up to external capital inflows, needing to expand internationally or responding to emerging social trends like hypertransparency and infoxication. Nowadays, the communities in which they operate want to know everything about companies: who they are and why they do what they do. This is especially important in Latin America, where many young democ-

racies' reputational risks have been multiplied by the large quantity of noise, in part due to the abundance of media and micromedia on social networks. Infoxication is a particularly important risk, especially for businesses using the family's surname: the impact on a family's reputation is infinitely greater than that suffered by a corporation whose ownership is entirely diluted among hundreds or thousands of shareholders.

We are experiencing a new reality, as digital transformation is disrupting many economic and social sectors. Although family companies may well consider technology's impact on the development of their businesses, it is not so common for them to analyze how digital disruption might affect them and their owners' good name, from a communications point of view, or when it could have a significant impact on the family's reputation. Digital transformation has totally changed how we relate with one another; hyperconnectivity has given way to hypertransparency and anyone who is unable to adapt to a transparent context runs the risk of damage to their reputation.

These days, all CEOs must protect their digital identities like any other company asset. If they are the owner or the company has their surname, this protection is all the more necessary. Reputational risks related with the level of legal security in many countries, corruption scandals or appearing in an investigation, albeit only as a witness, may stigmatize not only the reputation of the individual but the family business in its entirety. That may lead to their inclusion on lists such as World Compliance and, among other consequences, cause problems with personal or corporate credit facilities or bank accounts.

Secondly, from a business point of view, priority is, or should be, given to reputation management to ensure the company's sustainability in any unforeseen circumstance. Looking after our reputation may mean we will be given a second chance from our stakeholders if confronted by a reputational problem. Thus, it is crucial to conduct business correctly and transparently, so stakeholders are inclined to keep giving that second chance.

On a third level, society's power to influence is constantly growing. Thanks to social networks and all internet platforms (in Latin America, internet users spend practically double the time of their North American or European counterparts on social media), citizens are able to express their concerns and wishes. If we are not active listeners, paying attention, listening and decoding their conversations, topics —or territories, as we call them at LLORENTE & CUENCA— we will be unable to adapt to their needs. Listening is a collaborative tool, generating participation, which will always encourage transparency. So, when we talk of adjusting to citizens' needs, we are not talking about a mere product or service but the very existence of the company or business, which can crumble right down to the social license to operate.

### **Family, business and values: the reputation challenge**

Family business is generally the name given to companies that are owned or run by one or several families. Family businesses have a significant weight in the world economy. The 500 most important family businesses worldwide generate total annual sales of \$6.5 trillion, create nearly 21 million jobs and employ around 42,000

people per company. Moreover, of those 500 businesses, 52% are listed companies and 48% private companies. By region, they are most common in Europe, home to 50% of the companies on this list, followed by North America with 24 percent. While those established in Latin America form a small group on a global level, they are very important on a regional level.

Most family businesses convey and transmit their family values to their companies, pervading the corporate culture. This is why the purpose and legacy of different generations and, consequently, their reputation, is a distinguishing feature of these companies, setting them apart from others in their respective sectors. However, that differential social value of the bond between family and business and the particular way they participate in management have, in some cases, curtailed their professionalization, hindering their competitiveness and even survival in some cases. According to a study by Harvard University encompassing more than 1,000 family businesses, the main reasons why such businesses disappear are clashes between family members and passing control to the second generation, after which 70% of these businesses fail, owing to insufficient preparation with a consequential impact on the company's reputation.

Family businesses have their peculiarities and are more complex than other companies. In a world where brands are principal assets of companies' images, family businesses are closely linked to the image and reputation of the families that own them. Therefore, correct communications management is especially important to feed and protect the reputation and good name of the families. Many of them have not yet professionalized

or protocolized their communication strategies, and although considerable progress has been made in corporate governance, communications has yet to be addressed in many family businesses.

A widespread belief claims it is risky to communicate many corporate actions, policies and strategies for fear of over-exposing the family. Even today, many of them do not have any form of communications strategy or employee training on how to tackle communications and reputational challenges. In today's world, where markets and society demand increasing transparency, and those of the generation of trust and reputation have established themselves in the collective mind and business as one of the strategic assets of companies, it is worth remembering the saying within the sector: "what isn't communicated doesn't exist." In addition to professionalizing business management, communications must also be professionalized, both outwards and inwards, to contribute to the reputation of the business and the family.

Professionals know all too well products and companies are not worth so much for what they have been or what they are but for what they mean to customers, consumers and the environments in which they operate. One key to the success of family businesses lies precisely in the fact that they are perceived as enterprises that form part of the community—they project a human, approachable image and contribute towards the economic and social development of the region and community. All of this aligns with the socially emerging values of modern branding. Nowadays, brands seek to be perceived as generating positive experiences, offering not only functional but also emotional benefits, and with this aim in mind, they deploy an intelligent

communications and public relations strategy to align expectations with shared beliefs and thus considerably improve their reputation.

Family businesses have traditionally been recognized for their credibility, integrity and contribution, but they must pay more attention to their image and, especially, transparency. Reputation is an intangible asset, recognized by the stakeholders or community, and just as it is built up, it can be knocked down; so, a bold, intelligent strategy is needed to protect it.

### **The three dimensions of communications in family businesses**

A good communications strategy is very important for any organization but especially for family businesses. Managing ownership, administration and family becomes a strategic challenge for the positive development of the business and a central issue in the family's commitment to the company. It is essential, therefore, to convey the core values and ensure the continuity of that communication through a proper transfer of ownership to future generations.

#### *1. Communications within the family*

The first, most specific dimension is the correct handling of communications within the family or different branches of the family. This is especially important for bonding the various visions of the participating generations. Many businesses currently have founding members who manage the businesses and belong to significantly varying generations, in form and substance, with the new generations, who are millennials or centennials and will naturally take over in forth-

coming years. Within a decade, numerous family businesses will face the challenge of opening up executive positions to a new generation —the millennials—, who see the world in a different light from their ancestors, generating a major transitional business challenge. Are family businesses ready to face that challenge? Is an intra-family communications strategy available to prepare all family members to successfully make the transition?

A study conducted by interviewing the heirs of Central American businesses under the title *Los Millennials de la empresa familiar*<sup>4</sup> (lit.: "The Millennials of Family Businesses"), by Miguel de Merodio, concluded future generations have similar goals to earlier generations, i.e. company expansion and professionalization, business digitalization and consolidation of the corporate and family governance. Yet the study identified a number of defining "millennial" values. One of those values is transcendence, that is, having a purpose that makes life meaningful for them, together with authenticity, loyalty and freedom. The appeal to achieving a good work-life balance is particularly important. They differ considerably from earlier generations in this concept, which could lie behind certain discrepancies or conflicts within the family, as older generations often lived exclusively for the family business.

This is why it is important not only to plan the future legacy of the family but also to build up a culture of family communications to coherently and inclusively accompany the process of building shared business values and culture. Beyond who is in charge of

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<sup>4</sup> <http://www.empresarius.com/wp-content/uploads/2018/02/Los-millennials-de-la-empresa-familiar.pdf>



management, the family members must feel they belong, so both the present and the future are attractive to the next generation.

According to the IESE Business School's survey on communications in family businesses<sup>5</sup>, despite the absence of formal communication channels in many companies, almost 80% of those interviewed admitted that the existence of formal communication mechanisms influences both the level of the family's commitment to it and its continuity (72.5%), as well as its development and growth (68.8%). The results confirm the immense majority of those polled (81.3%) consider it essential to have mechanisms to project the family values and enhance the quality of family relationships (75%). Technology and digitalization can play a vital role in this area. Millennials have grown up with technology as a natural medium, creating a challenge—although also an opportunity—for current managers to take an interest, collaborate and communicate with them by creating new channels to supplement the traditional family meetings for sharing information, expertise and values with the goal of building a future project of a shared company. The integrity and authenticity of a family business must be conveyed into a new, hyperconnected environment where there is no room for opacity.

## *2. Communication between the family and the business*

Another important aspect in preserving the reputation of family businesses, and in particular the family's reputation, is intelligently managing the communication between the family and the business—in other words, adequately communicating the business purpose and

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<sup>5</sup> <http://blog.iese.edu/in-family-business/estudio-valores-3/>

values the family conveys to its employees and collaborators to create the business culture.

As management of the business is passed to following generations, it becomes more complicated to reconcile the legacy of earlier generations or founders with the business purpose and goals of the new generations. This is especially important if there are different interpretations or areas of conflict between the owners or managers within the family. It is common to find discrepancies or a lack of internal cohesion within some family businesses that are projected into the business and particularly to the employees and collaborators, sowing doubts as to the efficient management and control of the business and, above all, undermining the credibility of the family as a whole.

As such, an internal communications strategy is needed to clearly convey and understand the purpose of the business, its values and goals and whether there are differing opinions on this within the family or families owning the business. To do this, communications must be professionalized to avoid transmitting the informality of family relations to the internal processes of the business. One of the greatest challenges of this is developing employee engagement policies designed to heighten employees' pride of belonging and commitment to the business and family project, which is, ultimately, the best guarantee for enhancing the productivity, effectiveness and continuity of businesses.

What is employee engagement? It is the emotional commitment employees have to the company they work for and the goals it pursues. Committed or engaged employees share the company's vision, see the importance of the work they do and are willing to go the extra mile. Any actions that enhance this positive

internal feeling will have repercussions not only within the company, improving the work atmosphere, but also in countless external aspects, such as consumer satisfaction, sales and, above all, the company's ability to attract new, diverse talent to ensure the family business's competitiveness.

When speaking of engagement, we are not referring merely to the happiness or satisfaction of employees, but their commitment to and connection with the company's purpose and values and, in short, with the owner family or families and their contribution to the family business reputation. In this day and age, nobody disputes the vital role of employees as a credible source for relaying what goes on inside companies, particularly the disputes or discrepancies between the owner families. This is why an intelligent, internal communications strategy geared towards employee engagement is essential for any company and even more so for family businesses. In other words, active listening and generating an open, participative work space are vital to the family businesses' reputation and communications policy.

### *3. Corporate communications of family businesses*

Many family businesses have traditionally been cautious and even opaque in their corporate communication strategies. The fact that most of them are unlisted companies with closed shareholding structures has led them to believe that corporate communication strategies or policies are not necessary. Their communications have traditionally been based on a modest internet presence—a website containing basic corporate information and media contact almost exclusively focusing

on their offered products and services— measuring their presence in the media to control what is published about them.

In the world of "attention economy," communications have become a strategic resource for both the performance and competitiveness of the business and to build a sound reputational image. The above-mentioned IESE study shows 80% of family businesses have no communications policy, which contradicts the majority opinion of the executives polled, who consider communications a key strategic tool to help convey the values of the business. Family businesses must therefore break the glass ceiling and develop a communications strategy with a global vision that will enable them to continue highlighting their differential values, enhancing their competitiveness and sustainability and protecting their family reputation. Communications is a fundamental tool for adapting to the new times and operating in markets that are becoming increasingly conversational, characterized by the communicative empowerment of the different stakeholders, the speed of transmission in an online and live world and the growing access to data.

The main challenge for family businesses lies in being able to relay an updated, modernized founding purpose and being capable of conveying it in the regions and communities in which they operate, creating storytelling that engages the most important stakeholders. Ultimately, present communications capacity requires the ability to be transparent, something that can only be learned and developed with a proactive attitude. Some family businesses increasingly focus their decision-making on citizens, consumers or customers,

with a more customer-centric vision. However, they are not yet able to understand the new information and communication technologies allowing consumers and the public to control the conversation 24 hours a day in multiple channels and formats. In social networks, brands and companies are built up and knocked down, so apart from listening, it is critical to participate in the conversation, creating an adequate narrative based on a clear, shared business purpose. Storytelling has also become a "must" for managing family reputation.

Outdated beliefs such as "if we are not on social media, nobody can talk about us" must be left behind us once and for all. In a hyperconnected world, there will always be someone who makes a positive or negative comment, so we must be ready to listen and interact to protect the company's reputation and the good name of the family. There are already some good examples where family businesses have invested in creative, intelligent communication strategies to generate a sound, strong image for the benefit of the corporate and family reputation.

In short, corporate communications should be the linchpin and mantle of the family business's storytelling. Owing to the transformation of the business paradigm and the communications environment, companies must deal with new, complex challenges if they wish to continue responding to the traditional and new expectations of their business model, as well as their value proposition among stakeholders. Thus, the greatest challenge is to detect those new trends and expectations when they first appear in order to provide immediate responses. As Jose Antonio Zarzalejos points out in his article: "La reputación y el valor de la

anticipación"<sup>6</sup>, (lit.: 'Reputation and the value of anticipation'), the challenge we face today can be summed up as "anticipate or die," a new form of the aphorism "renovate or die."

Reputation and digital transformation will be the variables shaping the world in the coming years, and family businesses must be able to properly handle them. The growing interconnectivity among citizens and the boom of democratization have given rise to a new era formed on the value of transparency, except in companies that have to defend their family values constantly with a projection of future sustainability. There is a frenzy of economic and social transformations, with new trends that replace, alter or affect those that went before them. Consumers see less differentiation in products and service but appreciate more differentiation in companies' reputation and good name

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<sup>6</sup> <http://www.desarrollando-ideas.com/wp-content/uploads/sites/5/2016/03/reputacion-valor-ebook.pdf>

## **Compliance and reputation in the good corporate governance era**

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For at least a decade now, we have been living through fast-moving changes owing to corruption scandals and precarious justice systems which very often, despite being the parties who have been commissioned to pursue and impose sanctions on these offences, prove to be the source of this scourge.

The cost of corruption is a global problem. The IMF estimates the annual cost in 2016 at between US\$1.5 billion and \$2 billion per year for the world economy,

accounting for almost 2% of the planet's GDP<sup>7</sup>. In Latin America — even before scandals such as Odebrecht — the cost was put at around 58% of the GDP per capita of the region. The impact is so large because it affects procurement, judicial and financial systems, creating a parallel economic system and dissipating public resources.

This has been a wake-up call for the financial control and justice systems, but has also driven prevention mechanisms, such as compliance, whereby organizations implement procedures to ensure internal and external normative compliance.

Originating in the English-speaking world, and also the direct consequence of corruption scandals during the 1970s and 1980s in the United States, compliance has gradually extended its reach. This intensified with the 2008 financial crisis that began on Wall Street, revealing an array of ethical breaches, inappropriate corporate management processes and financial regulation failings.

A further issue which came to light during the crisis and subsequent recession, were the difficulties in applying both domestic and international criminal law. Years later, for example, not one of the Wall Street leaders has been sentenced. What's more, in the majority of cases, criminal proceedings have not initiated. The exception is Iceland, where at least 26 bankers were sent to jail for the same types of fraud<sup>8</sup>.

This crisis has shown a limiting factor which should be looked at from a more regulatory and supervisory approach. Emphasis should be placed on prevention,

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7 <http://www.eleconomista.es/economia/noticias/7558130/05/16/El-FMI-estima-que-la-corrupcion-cuesta-hasta-2-billones-de-dolares-al-ano-a-la-economia-mundial.html>

8 Barak, Gregg. *The Invisibility and Neutralization of the Crimes of the Powerful: The Case of Multinational Corporate Crime* (UBA).



and hence compliance has once again taken a leading role. Although this concept is not new, what is new are normative frameworks regarding the criminal liability of corporate bodies and the obligation that companies now have to implement compliance programs and independent departments to detect and avoid any breaches of law.

This article explores compliance as a concept within the context of the drive towards good corporate governance, its ongoing implementation in Latin American countries, landmark cases and how this relatively new concept is now meeting normative requirements. We will also be looking at the remaining challenges in ensuring the effectiveness of compliance. And lastly, we'll explain how it also constitutes a new pillar for managing and improving companies' institutional reputation. This interpretation will allow us to raise or recognize the challenges and tendencies of compliance for the future.

### **From good corporate governance to the compliance concept**

The concept of good corporate governance (GCG) has been around for some time now as a foundational attribute in any healthy organization. It is a governance system based on high standards of transparency, professionalism and efficiency which generate confidence in the market and augment, in the long term, the value and competitiveness of the company or organization. It is also a transparent, professional form of relationship between the board of a company, management and the rest of the organization.

This formula sets out to protect the interests of stakeholders, particularly shareholders, from any

ethical conflicts which may jeopardize the long-term sustainability and short-term profitability of their companies. It is geared towards making their investment profitable and safeguarding their assets. With this in mind, it must ensure access to timely, quality information which facilitates positive decision-making for the long-term reputation and profitability of the company<sup>9</sup>. This is also set out by the OECD in its Principles of Corporate Governance for G20 member countries<sup>10</sup>.

Although GCG has been in force for a long time as a transparent form of internal organization, it did not incorporate any legal or regulatory obligation for companies. It was more in line with a typical internal structure model deriving from the board of a company, such as corporate or safety regulations. It was simply a good *modus operandi* and, to be honest, in various countries it only gathered steam over the last few years and is far from being a truly extensive practice.

The concept of compliance is not interchangeable with that of GCG, as the model requires, via regulatory standards imposed by the government, an internal governance structure deriving from external agents<sup>11</sup>. It is the difficulty or impossibility of governments to legally pursue companies after cases of corruption which urges companies to achieve compliance with certain (legal) requirements to do business.

And so compliance has emerged as the new corporate governance, as Sean J. Griffith from Fordham

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9 For example, according to information from the Lima Stock Exchange (BVL), the companies making up the Good Corporate Governance Index (IBGC) listed their shares at a premium with regard to the companies of other local indices.

10 OCDE (2016) *Principios de Gobierno Corporativo de la OCDE y del G20*, Editions OCDE, Paris. Available from: <http://dx.doi.org/10.1787/98789264259171-es>

11 *Corporate Governance in an era of Compliance*. Available from: <https://corpgov.law.harvard.edu/2016/05/10/corporate-governance-in-an-era-of-compliance>

Law School calls it, which is gradually becoming an ever-stricter regulatory requirement to prevent offenses<sup>12</sup>.

### *What do we mean by compliance?*

Compliance refers to the internal and external normative compliance of companies through the management of corporate strategies to prevent criminal conduct by organizations. These include the regulation of good practices, the creation of a Code of Ethics, regulation of the securities' market, risk prevention, data protection, mapping risks of bribery, money laundering, etc.

Rather than a result, it is a set of procedures: tools that organizations adopt — usually required by a regulatory standard — to identify and classify the operating and legal risks they face. This allows them to establish internal mechanisms for the prevention and management of and the control and reaction to these threats which differ in line with the nature of each business<sup>13</sup>. These risks do not only arise from corporate decisions, but also from the activity of employees. What's more, it is not only a matter of avoiding the risk deriving from offenses, but also those which run counter to integrity and ethics.

Although this emerges as a legal obligation to achieve exemption or prevention of criminal liability of the corporate body and its consequences, compliance may take on a broader focus. Lack of compliance may give rise to loss of corporate reputation and, for a company, that translates to economic losses, if not a death sentence. However, its value not only focuses on complying with a requirement, but also on

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<sup>12</sup> Ibidem.

<sup>13</sup> [www.worldcomplianceassociation.com](http://www.worldcomplianceassociation.com)

an opportunity to manage companies within the context of an ethical, transparent culture with new efficiency opportunities.

Compliance, or adapting company management to compliance requirements, is also reflected in the structure and organization of the latter. Although new compliance departments have emerged as a type of new area reporting to the Board, the authority of its compliance officers, for example, has greater significance inside the company as they are backed up by the law. They are responsible for adopting, applying and maintaining necessary policies and procedures.

The compliance officer is a key figure and he/she must be permanent, independent and effective to help top management monitor and evaluate the preventive and corrective measures, which are already a company obligation.

### **How have standards in this regard been implemented in different countries?**

As mentioned, this concept derives from the English-speaking world in the 1970s and 1980s as a result of the U.S. Foreign Corrupt Practices Act (1977)<sup>14</sup> which imposes corruption and bribery sanctions, even outside its geographic borders. Under this law, any company whose registered office is situated in the United States, which forms part of a U.S. firm, which invests, or which has been hired by a company with U.S. connections, may be judged under this law. In the UK, following a scandal

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<sup>14</sup> In 1988 the FCPA was modified and negotiations were held with OECD members about prohibiting bribes in international transactions for the biggest trading partners of the U.S. Subsequent negotiations in the OECD culminated in signing the Anti-Bribery Convention which required parties to regard the bribing of foreign officials as an offense. In 1998 the FCPA was modified again to comply with said Convention.

involving BAE Systems PLC, compliance gathered momentum with the Bribery Act (2010), rated as one of the strictest legislations worldwide, having previously ratified its commitment to the OECD Anti-Corruption Convention.

Offenses committed by legal entities seeking gain are occurring in an increasing number of countries. Some states have adopted the recommendations of international bodies to incorporate criminal liability for legal entities<sup>15</sup>. The possibility of making these entities (and not only individuals) liable conveys the message that corruption has no place in business.

Most legal systems determine corporate self-accountability models. These are characterized by the responsibility of the organization which, although it assumes an offense committed by an individual, is based on the recognition of a non-compliance with certain duties and supervision by the organization itself. However, it is not a homogeneous tendency: countries like Spain already foresee exemption from criminal liability for corporate bodies with regard to the formation of compliance systems, but others, such as Portugal, still don't take this into account.

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15 For example, article VIII (Transnational bribery) of the Inter-American Convention against Corruption (IACAC; 1997), article 2 (Liability of corporate bodies) of the OECD Convention on combating Bribery of foreign public officials in international business transactions (ABC; 1999) and article 26 (Liability of corporate bodies) of the United Nations Convention against Corruption (UNCAC; 2003). By dint of the stipulations of Article 2 of the OECD Convention on combating Bribery of foreign public officials in international business transactions (Anti-bribery Convention) and Article 26 of the United Nations Convention against Corruption (UNCAC), each of the signatory States undertakes to adopt "the necessary measures, in accordance with their legal principles, to determine the liability of corporate bodies" for the bribery of a foreign public official and other corruption offenses. The liability of corporate bodies may be criminal, civil or administrative. Article VIII of the Inter-American Convention against Corruption (IACAC) declares that each Party State "will prohibit and subject to sanction the act of offering or granting to a public official of another State, directly or indirectly, by its nationals, people who have habitual residence in its territory and companies whose registered office is situated there."

Table showing the regulations and implementation year by country

Countries	Regulation on the liability of corporate bodies	Implementation year
Spain	Organic Act 5/2010; art. 31 Bis CP	2010
Portugal	Act 59/2007	2007
Mexico	General Act on the National Anti-corruption System	2016
Dominican Republic	Act No. 155-17	2017
Panama	Act 23	2015
Colombia	Act 1778	2016
Ecuador	Executive Decree No.1331	2016
Peru	Act 30424; DL 1352; Act no. 30835	2016/2017/2018
Chile	Act 20.393	2009
Brazil	Act 9.605/98/, Act 12.846/2013	1998/2013
Argentina	Act 27.401	2017

Source: own elaboration

Compliance regulation encompasses the various normative blocks affecting business activity, as well as those commitments voluntarily incorporated by companies (so-called self-regulation). This compliance concept is laid down in international standards (ISO 19600 on the Compliance Management System and ISO 37001 on the Antibribery Management System).

The table above shows the national standards which regulate the liability of corporate bodies in terms of corruption owing to corruption offenses in an administrative, civil or criminal context.

In Spain, the Criminal Code determines the criminal liability of companies in 2010 under Organic Act 5/2010. However, in 2015, article 31 bis of the Criminal Code specifically established the requirements to be met by a program geared towards compliance or the prevention of criminal risks: the desire of the administration body to draw it up and implement it, the identification of criminal risks, the creation of the compliance officer

figure or compliance entity inside companies, setting up a channel for reporting irregularities, allocating sufficient financial resources, training and awareness campaigns and an ongoing review both of risk analysis and implementation of the supervisory and control measures recommended. In other words, the compliance function is incorporated over and above mere criminal prevention.

At present, the vast majority of Spanish organizations have an internal compliance policy, as well as specific corporate posts to supervise compliance with the program, using a map or inventory of compliance risks as well as codes of ethics or conduct.

The biggest companies have been the first to implement this post in their organization; 78% of companies with more than 5,000 employees have a compliance position, whilst this percentage falls to 38% in companies with less than 5,000 employees. The tendency is for a specialized compliance team incorporating a compliance officer. This team usually reports directly to the board of directors, thereby ensuring its independence<sup>16</sup> and reinforcing the governance bodies with regard to management actions.

This year, by way of a Supreme Court ruling, it was acknowledged implementing compliance programs constitutes good business praxis and are not only important in terms of the company's criminal liability when offenses affect third parties unrelated to the organization, but also to preserve its reputation<sup>17</sup>.

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<sup>16</sup> The compliance function in the Spanish company. Deloitte España. Corporate governance. [www2.deloitte.com/es/es/pages/governance-risk-and-compliance/articles/la-funcion-compliance-en-la-empresa/html](http://www2.deloitte.com/es/es/pages/governance-risk-and-compliance/articles/la-funcion-compliance-en-la-empresa/html)

<sup>17</sup> <https://insights.redflaggroup.com/the-red-flag-group-espa%C3%B1ol/la-evolucion%C3%B3n-del-compliance-en-espa%C3%B1a-del-c%C3%B3digo-olivenza-al-tribunal-supremo>

Portugal, in turn, considered the criminal liability of corporate bodies in terms of economic infringements and offenses against public health under Decree-Law no.28/1984. Twenty years later, Act 59/2007 was incorporated into the Criminal Code and extends this liability to a wide range of offenses committed by individuals who hold an authority position in the company. This is why the illicit act must be committed in the name of, and representing, the entity and in its specific interest. But being intimately linked with the regular activities of the individual in the organization<sup>18</sup>, there is no exemption for those cases in which compliance programs are implemented.

In Latin America, Chile is the leading country in terms of compliance as a result of the obligations assumed under the OECD Convention, enacted in 2009 Act 20.393, which established the criminal liability of corporate bodies. The underlying principle did not lie in the commission of the illicit act by an individual bound to the entity, but rather in non-compliance by the company with its management and supervisory powers. The scope of the criminal liability was reduced to just three illicit acts: asset laundering; financing terrorism; and bribing national and foreign public officials. However, this regulation urges implementing an offenses prevention model, as well as a compliance officer, which

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<sup>18</sup> Illicit acts are those specifically considered, with the following being worthy of special mention: mistreatment (article 152-A); violation of safety standards (art. 152-B); slavery (Article 159); human trafficking (article 160); some offenses against sexual freedom (articles 163 to 166, if the victim is a minor, and articles 168, 169 and 171 to 176); fraud offenses (article 217 to 222), racial or sexual discrimination (article 240); forgery of documents (art. 256); forgery of technical reports (art. 258); money forging offenses and some common danger offenses (art. 262 to 283 and 285), criminal association (art. 299); influence peddling (art. 335); disobedience (art. 348); violation of impositions, prohibitions or interdictions (art. 353); bribery (art. 363); obtaining a personal benefit (art. 367); money laundering (art. 368-A) and corruption (art. 372 to 374)



enables companies exempt from liability in the event any employee incurs the offenses typified in the law.

Peru has followed the Chilean example and, under its Act 30424 dated 2016, implemented the administrative liability of the corporate body, but only for the offense of active transnational bribery. In January 2017, DL 1352 modified Act 30424's articles, extending the administrative liability of corporate bodies to asset laundering offenses and others related to illegal mining and organized crime. August that year, under Act 30835, two new offenses were included: collusion and influence peddling.

Argentina approved Act 27.401 in 2017, which determines the criminal liability of corporate bodies for some specific offenses: national or transnational bribery and influence peddling, negotiations incompatible with the discharge of public office, extortion, unjust enrichment of officials and false balance sheets and reports, with companies being exempt from criminal liability. These offenses were only interpreted this way in cases in which the individual who committed the act has acted to his/her sole benefit and without generating any advantage for the company. A central aspect is the inclusion of the Integrity Programs, which are mandatory for those companies that contract with the state.

In the case of Ecuador, an Organic Act was passed July 2016 for the Prevention, Detection and Eradication of the Offense of Asset Laundering and the Financing of Offenses, which sets out to boost surveillance of the movement of funds and determine the bases for the prevention of asset laundering. This new regulation sought to implement a duty of diligence allowing the instigation of effective prevention mechanisms by means of augmented surveillance parameters.

In 2016, Colombia, under Act 1778, introduced the liability of corporate bodies for transnational acts of corruption and other provisions pertaining to combating corruption. This law entailed a commitment to generate transparency in all transactions carried out by companies. Compliance programs were also regarded as elements for undermining the criminal liability of corporate bodies.

In Brazil, with the exception of those offenses related to the environment —Environmental Crimes Act (9.605/1998)— companies cannot be criminally liable for the acts and omissions of their employees or of their third parties. However, it is possible for companies to be subject to civil and/or administrative liability for these acts. For example, Act 12.846/2013 (Clean Companies of Brazil act) imposes civil and administrative liability of legal entities for acts committed against foreign public administrations, particularly for acts related to corrupt practices.

In Mexico, the criminal liability of corporate bodies was introduced with the National Code of Criminal Procedures (CNPP) introduced March 2014, modified June 2016 when practically all the regulations that had existed up until that time were changed to take criminal proceedings against corporate bodies (articles 421 to 425) and the requirement was introduced for companies to incorporate a normative compliance program allowing them to exclude criminal liability which, directly and independently, may now be assumed by collective bodies<sup>19</sup>.

Finally, Panama: Act 23, enacted April 2015, regulated the international supervision, control and cooperation

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<sup>19</sup> <https://elmundodelabogado.com/revista/posiciones/item/necesitan-las-empresas-en-mexico-un-programa-de-compliance-penal>

mechanisms in the field of the prevention of money laundering, terrorism financing and the proliferation of weapons of mass destruction.

### *International standards*

Late 2015, the International Organization for Standardization published ISO 19600 on the Compliance Management System (CMS), a specific standard which allowed organizations to use a specialized tool to identify and minimize risks.

These are guidelines about the implementation, evaluation, maintenance and improvement of an effective, efficient compliance management system. It is a collaborative document for top management and compliance officers. In theory, it is not certifiable, although companies thinking about certification should follow its guidelines. In the event the activities of the company reach an international scale, good practices will have to be accredited under ISO 37001, which sets requirements for implementing this management system in the organization, helping them to properly prevent, detect and manage any possible criminal bribery conduct. It also requires procedures put in place to prevent them<sup>20</sup>.

## **Are compliance programs really effective?**

### *Relevant cases*

Siemens

Measuring a compliance program's impact is complicated as they are specifically intended to ensure new

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<sup>20</sup> The standard refers to gifts, entertainment and hospitality, political or charitable donations, official public trips, expenses defrayed on promotion, sponsorship, membership of clubs and personal favors, amongst other actions.

cases of this type do not occur. Hence, their absence or non-existence will not necessarily be attributable to a compliance program. However, if they do occur, it is feasible to attribute this to a failing of the latter.

What is complex about compliance is that, although it is made up of a series of tools and procedures, its effectiveness largely depends on business behavior or conduct and, in many cases, on the principles, values and standards whereby the highest level of business leadership is managed. A compliance and transparency culture must be put into place in the company's corporate culture. The corruption scandals of the past 15 years are related to failures in risk management, but in many cases, the latter are not solely due to technical aspects, but rather serious ethical shortcomings.

Although compliance initiatives are implemented in accordance with international guides, they vary in line with the sector, program maturity and company history. Companies which have already been through a major scandal now seem to have more effective programs. The reputational damage led them to do everything possible to prevent these scandals from reoccurring.

Emblematic cases have resulted in better compliance systems. Perhaps the case which marks a before and after in this regard is that of Siemens, the well-known German company, which was fined more than US\$1.5 billion for bribery and corruption offenses committed from the end of the 1980s to the first decade of this century. In 2008, as a result of an investigation carried out in the United States which was endangering their business there, Siemens AG admitted to illegal payments and identified some of the recipients,

among them high-level politicians. It also indicated that the bribing of officials was a widespread practice it had carried out in other countries affecting almost 300 contracts. Due to this scandal, the World Bank signed an agreement with Siemens AG which included the company's commitment to pay US\$100 million during the next 15 years to support anti-corruption programs, change industrial practices, clean up supply practices and commit to collective actions with the World Bank Group.

Within the context of this agreement, Siemens AG launched its Integrity Initiative, in force since December 2009, which includes support for organizations and projects fighting against corruption and fraud by means of collective education and training actions. They include signing the Global Compact against Corruption in 2010 which financed anti-corruption projects which would involve a disbursement of US\$4.35 million by the company.

Siemens AG also decided to remove the entire management team and implement tough internal mechanisms. This company adopted an ethical, transparent management culture at top management level, as well as tools, including a Code of Conduct in Business and a Compliance System. The Code applies not only to advisors and business partners who act in the name of Siemens, but also to suppliers, business partners and other entities they do business with. The compliance system was developed at three levels of action: prevention, detection and response. It is, in theory, one of the most far-reaching models that has been implemented, taking eight years to complete. Today, Siemens is once again a company recognized worldwide for its correct *modus operandi*.

## Odebrecht

Latin America did not miss out on this evolution. Owing to a situation similar to Siemens', Brazilian construction group Odebrecht is now under investigation. Its millions of dollars in bribes revealed systematic, chronic corruption which has rocked public and private structures in Latin America.

In Ecuador, Vice President Jorge Glas was involved. In Panama, 68 people have been sued on account of Odebrecht bribes, including several former ministers. In the Dominican Republic, Odebrecht admitted it paid US\$92 million in bribes. In Colombia, former Deputy Minister for Transport Gabriel Garcia Morales and former Senator Otto Bula are in jail, awaiting trial, both for offenses they have admitted to, in which they received bribes from Odebrecht amounting to US\$6.5 and \$4.6 million, respectively. In Brazil, the case is part of the judicial framework known as "Lava Jato" (Operation Car Wash) an investigation into allegations stating the country's main construction companies' were awarded contracts by the state petroleum giant Petrobras as part of a bribe.

However, the example involving the greatest political prominence in the Odebrecht case is that of Peru, where the last four presidents have been investigated, accused or sentenced to prison. In Peru, after the Brazilian corruption scandal, it has become more important to bear in mind the compliance and Good Corporate Governance guidelines in companies, all the more so if it can be investigated and subject to sanction by U.S. courts.

As part of its cooperation agreement with the U.S. Justice department, Odebrecht itself is involved in the implementation of compliance initiatives. It thus

agreed to maintain an independent monitor for three years which will ensure the company implements and maintains an appropriate compliance program. It will also deploy a specialized, independent company which will make sure Odebrecht reduces the risk of committing any offenses contemplated in the FCPA. Odebrecht must implement internal control measures which are effective, fair and efficient. To ensure its effectiveness, the compliance program must be as—or even more—important as the sales' strategies. This is why qualified staff, an allocated annual budget and unrestricted access to all company information will be required.

The consequences not only affected Odebrecht, entrepreneurs and politicians, but also companies with direct or indirect relations. The Peruvian construction company Graña y Montero, which also has operations in Chile and Colombia, saw itself involved in six investment projects associated with the company Odebrecht. It has not only suffered an impact in criminal terms—its main executives were arrested and are on trial—but also during the course of 14 months, its value—the highest of any constructor in Peru—has fallen by 73%.

The economic and reputational blow to Graña y Montero has led it to start a major drive to restructure its management system by setting up a compliance system and a sustainability committee. The top managers have approved corporate policies and the necessary measures to provide confidential channels for lodging complaints and to have a governance committee. What's more, the company reorganized its management bodies by designating areas dedicated exclusively to dealing with the Odebrecht effect. Furthermore, its ethics code

and code of conduct were strengthened and a stricter due diligence process has been put in place.

Graña y Montero, with its new compliance policies, in 2017 achieved 500 hours/person of training in its ethics code, code of conduct and the use of its ethical channel and 400 hours/person of training in anti-corruption matters. There have been 70 work sessions of the Risks, Compliance and Sustainability Committee, and it has implemented risk evaluation for companies with which it could set up joint operations.

There are lessons to be learned from these major corruption cases impacting the evaluation and development of compliance. It is not just about preventing criminal or administrative liability, but rather implementing more transparent management models as a tool for recovering institutional reputation.

### **Compliance and reputation**

Although it is hard to measure the effectiveness of the compliance programs, their implementation is very often rated by how far they can keep companies from regulatory and legal problems. However, it is increasingly believed the main purpose of compliance is to minimize the possibility of events that tarnish a company's reputation. This is why the role of compliance officer and his/her work in coordination with the chief executive and the person responsible for the communications area is regarded as increasingly important.

Experts in the Risk Assistance Network Exchange (RANE) analyzed a recent poll by consultancy agency Aite which indicated 68% of compliance professionals in financial services' companies worldwide say protecting the company's reputation is their priority, arguing



investment in this area generates positive returns in terms of institutional reputation<sup>21</sup>. The main points that underpin this statement are the following:

- Compliance is an investment: The problem with positive reputation deriving from compliance is people usually find out about these programs when something is wrong. However, according to Dow Jones<sup>22</sup> consultant Jim Lord, a good compliance program may prevent the need for repairing a company's image or reputation.
- Good reputation derives from the process, not the result: As we mentioned above, compliance is made up of a series of tools and procedures intended to comply with standards and work in a more effective, honest manner. This is why it is important to focus on a compliance program that convinces stakeholders it is a priority for the company. Lord stresses it is not enough to have a sound compliance program; it is important to introduce a culture of compliance throughout the company to see the results.
- Convey compliance: To ensure compliance practices impact corporate reputation, the company will have to impress several audiences. Society should know the company for its good practices, so in the event of a scandal, the first thing that comes to mind is doubt. To achieve this, a culture of compliance must be disseminated that can be incorporated in the mission and vision of the company as a priority.
- Know your audience: According to Ann Walker Marchant, the founder and CEO of The Walker

<sup>21</sup> <https://www.dowjones.com/insight/how-strong-compliance-can-produce-positive-reputation/>

<sup>22</sup> Jim Lord, Partner, Inman Flynn, P.C. Consultant to Dow Jones. [https://www.dowjones.com/insight/how-strong-compliance-can-produce-positive-reputation](https://www.dowjones.com/insight/how-strong-compliance-can-produce-positive-reputation/)

Marchant Group, the majority of entrepreneurs or investors wish to do business with honest, transparent and law-abiding companies. A good compliance program can be shown to the public as proof of its honesty and transparency. Furthermore, damage caused by malpractice can generally be counteracted if the company takes the steps required to tackle the problem publicly. So, these attributes—those of transparency and honesty—become part of the company's identity. For investors, an institution that carries out its business ethically and responsibly is one in which it is worth investing. For regulators, the company's reputation is also a very important issue as it influences the supervisory procedures<sup>23</sup>.

However, it is important to introduce a true compliance culture. Ethics and integrity must form part of the organization's culture and be present in its history, customs and behavior in accepted fashion. To ensure this culture becomes a company asset, it is necessary, besides having policies and procedures, for this to be clear in the company's identity statements.

### **By way of conclusion: the challenges and tendencies of compliance**

From the outset, the evolution of compliance has been characterized by corruption scandals. It was these crises which led companies to implement new legal obligations and regulations. The compliance programs were originally implemented to be exempted from liability and in almost all cases owing to external legal obligations. However, with the passage of time, and in par-

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<sup>23</sup> <https://www.dowjones.com/insight/how-strong-compliance-can-produce-positive-reputation/>

ticular after those cases in which companies suffered scandals, both the compliance programs and the codes of conduct, as well as the introduction of compliance officers, have become mandatory. They have even taken on a new purpose different from the original one: to recover institutional reputation.

It is necessary to identify the challenges and risks then turn them into opportunities. Compliance becomes an opportunity for companies to be managed in a more transparent, efficient manner. It is an area that is quickly moving forward and gaining ground.

Matthias Kleinhempel, a full-time professor at the Governability and Transparency Centre of the IAE of the Austral University<sup>24</sup>, points out challenges compliance still has to overcome, as its effectiveness is very hard or even impossible to measure. He raises two main challenges, particularly in the case of transnationals. The first is related with the difficulty of mapping the compliance and ethical risk.

We need to have an effective risk map as this is what allows us to assign resources correctly and is a good indicator on senior management's progress in adopting codes. This is crucial, as whether someone commits illicit acts or not depends on behavior and psychological and cultural aspects.

The second major challenge relates to compliance by third parties or suppliers. Investigation of third-party value chains is complicated, as well as that related to outsourced activities. According to Kleinhempel, interviews with compliance officers indicated 70% were unaware of what is happening in supply chains. Due diligence needs to be boosted and routine monitoring is

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<sup>24</sup> <https://www.youtube.com/watch?v=npBL3zFVHnE>

needed for supply chains. Training in communications and transparency can also be put into effect, as well as determining termination clauses in the event of ethics violations.

By contrast, there are some observable aspects which need to be highlighted. One of these relates to the importance compliance officers are gradually acquiring in Latin American countries, particularly in South America. Now, according to Kleinhempel, 30% report directly to the CEO or to the board and, of these, almost 50% take part in the strategic company decisions and can bring about changes to the business model when they regard it as risky. Around 50% of them meet up periodically with the CEO and 60% with the board every quarter.

Kleinhempel goes on to say we can find two major trends in compliance. The first is the creation of a true ethics-based compliance culture. It doesn't matter how good the implemented procedures are, as they will prove ineffective if we fail to create a true "compliance culture" right from the company's executive levels to the general workforce.

Because there are ever fewer incentives guided by law, compliance is being based more on principles than rules. Rather than complying with standards and regulations, it is a matter of how companies make good decisions in difficult situations. Hence, decision-making, ethical principles and leadership have become very relevant. The major scandals of recent years have mainly occurred due to problems and failings in ethical leadership. This is why compliance programs must have as their target audience those executives and employees who need guidance and assistance in cases of

temptation or even extortion. The board's commitment is crucial as they will decide the company's culture.

Compliance training has proven ineffective and dull. Education should be increasingly provided when facing dilemmas and situations which are hard to deal with. These circumstances assume companies work in a gray area, that they have problems which are hard to sort out and there is no right solution. Companies must go over and above compliance and look at human behavior to comply with their prevention function.

A second major tendency is related to technology. Many companies get delayed and bogged down by the vast amount of data. Approximately 80% of compliance officers believe technology has a major impact on compliance. Big Data and Data Analytics, for example, allow better targeting, better risk monitoring and better identification of executives' needs to provide them with an education more in tune with their activities.

The digital revolution is imposing new forms of interrelating inside and outside the company. An increasing number of people work on the cloud, on digital platforms which get rid of the bureaucracy and management layers. An increasing number of companies relocate teams or business units to make them more flexible and free them up from the rigidity of large corporations. Furthermore, new risks and responsibilities also arise, inherent in the use of algorithms in data analytics and the use of artificial intelligence. Ethical and legal challenges undoubtedly arise which are directly incumbent upon corporate compliance, over and above data protection. It is vital for the fields of Risks and Compliance to start managing, within their fields of competence, this cyberworld with which they will have to deal.

Compliance started off with a legal approach—at the time this seemed ineffective but it afforded tools and a framework for better management and an improvement in companies' reputation. Subsequently, ethics were gradually incorporated and, finally, today a behavioral-based approach is used. The programs are seldom called compliance, and are starting to get renamed as they begin to focus more on integrity and ethics rather than solely legal aspects.

# EXECUTIVE COACHING

## **Seven principles for managing transparency**

**Jose Manuel Velasco**

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The saying "information is power" is commonly attributed to Francis Bacon (1561-1626). However, the British philosopher was referring to knowledge (*ipsa scientia potestas est*, translated as "knowledge is power"). His secretary and fellow philosopher, Thomas Hobbes, went a step further in *Leviathan* by establishing the connection between "knowledge" and "opinion" applied to the realm of an individual's relationship with institutional power. Hobbes was concerned with the use each person could make of his or her free will ("man is a wolf to man") to the point of suggesting that this 'micro-power' be partially relinquished to the State of "Leviathan" so they could correct the natural imbalance of the human condition.

The digital age we inhabit is the result of the convergence between information systems and



telecommunications. The main consequence is information — and consequently knowledge — has become more accessible, democratic, universal and immediate. People from the 17th century also wanted to be informed, but they did not have the means for direct access to the data or opinions they needed to make informed decisions. However, today's digital citizens have the power to access information virtually anytime and anywhere. In many instances, their lives take place online and on live streaming.

This ease of access involves an important paradigm shift: power no longer resides in having information but in one's ability to disseminate it. Information is not given, it is taken. In some ways, citizens are recovering their share of power, which they had formerly relinquished to collective institutions. "The king is the man who can," wrote the historian Thomas Carlyle. And today's men and women, armed with the powers conferred by technology, have decided to govern their own information needs — not only as passive receivers but also as active senders.

The internet era has also toppled another paradigm: approaching information and knowledge from a perspective of control. In a setting defined by uncertainty, trying to exert control over information can only lead to anxiety. The decision of whether to inform is no longer an option; even the choice of when to inform is frequently unavailable.

"Silence does not fill the space," declares Jose Carlos Losada Diaz in his book (*No*) *Crisis. Crisis communications in a connected world* (currently only available in Spanish: (*No*) *Crisis. Comunicación de crisis en un mundo conectado*, published by UOC). The University

of Murcia's communications professor sustains that remaining silent during a crisis is the wrong strategy because other sources will fill the void left by your organization. Silence does not fill the space, but it does say a lot, especially in these distrustful times.

In addition to these two paradigm shifts, there is also a new formulation of the reason-emotion dichotomy. Emotions have always been important, but now they play an even larger role in information processes. This is basically due to three reasons: the first is the enhanced capacity to communicate our emotions beyond the individual sphere of influence, particularly through social media; the second reason is the increased ability of our messages to go viral thanks to the internet; the third reason has to do with the superficiality that comes with increased speed, which directly affects our reactions and opinions when we receive information via news or other message formats.

The internet lets us look further and do more than ever before. It is the door to a universe with practically no borders where distance proves irrelevant. In fact, access to the internet and the quality of the connection represent the first factor of discrimination for people in search of opportunity. The larger the ocean through which we can navigate, the less momentum we need to explore a specific space. In terms of information, the world has a more extensive and excitable outer layer. And the temptation is to let our skin be stroked instead of poking through to the deeper layers, where reason and emotion are more stable and balanced.

The paradigm shifts regarding information ownership, which has been largely abandoned, and the control (or lack thereof) over information and the ensuing

effects, have led to a new scenario for communications in which transparency is no longer a strategy or an option—it is an essential condition.

We are at the beginning of the age of 'hyper-transparency.' This concept could be defined as the sum of information, online data and speed - all in an environment of distrust toward institutions (including companies) that have traditionally organized communal life. The greater the distrust, the greater the demand for transparency.

"No buzzword dominates contemporary public discourse so much as 'transparency.' Above all, it is emphatically invoked in connection with freedom of information. The omnipresent demand for transparency, which has reached the point of fetishism and totalization, goes back to a paradigm shift that cannot be restricted to the realm of politics and economics." *The Transparency Society*, by Byung-Chul Han, South Korea-born German author and philosopher.

Hyper-transparency is the sign of an era in which there is "nowhere to run and nowhere to hide," according to Andrea Bonime-Blanc, founder of the company GEC Risk Advisory. To that extent, the first assignment of any organization wishing to prepare for the upcoming times should be to accept that there is no option to hide, remain silent or much less be the passive object of conversations taking place around you.

Transparency is essentially an attitude.

As such, it should be approached according to the following principles:

### **Accessibility**

This principle is to transparency as bravery is to a soldier. Organizations must build personalized information

menus that are accessible to their stakeholders (which are increasingly difficult to categorize). This means relevant information should be easy to reach from wherever the inquirer may be.

Organizations can opt for a responsive design or develop applications for the most common access routes. A responsive design consists of providing the same content and most similar user experience possible to all website users. This differs from other approaches to mobile web development, such as apps, separate URLs or dynamic websites that change depending on the viewing device.

An example of the accessibility principle applied to transparency is the "in-house" tool developed by Bankinter to enable access for all their employees to information regarding the independent business dealings of the departments in which they work. This initiative is a show of trust to the people who work at the organization while at the same time representing an efficiency measure, as it reduces the internal bureaucracy associated with access to information, especially as it relates to different divisions or business units.

## **Relevance**

Total transparency does not exist. In fact, theoretically, 100% transparency would be in conflict with the principle of relevance. The information seeker should not be presented with volumes of information that are impossible to manage, but with truly relevant facts, data and situations that can help them form a discerning opinion.

This guideline is essential to applying the 'Cooperative Principle' developed by Paul Grice: "Make your

conversational contribution such as it is required, at the stage at which it occurs, by the accepted purpose or direction of the talk exchange in which you are engaged." The British philosopher, especially known for his contributions to the philosophy of language with regards to meaning and communication, developed this principle according to four maxims:

1. Quantity: Make your contribution as informative as is required for the current purposes of the exchange. Do not make your contribution more informative than is required.
2. Truth: Do not say what you believe to be false. Do not say that for which you lack adequate evidence.
3. Relation or Relevance: Be timely and relevant.
4. Manner: Avoid obscurity of expression. Avoid ambiguity. Be brief and orderly.

His disciples Sperber and Wilson focused their research on the relevance theory, according to which, "the expectations of relevance raised by an utterance are precise enough, and predictable enough, to guide the hearer towards the speaker's meaning."

In 2013, Juan Bejar Ochoa became the CEO of Fomento de Construcciones y Contratas (FCC), a company that operates in the construction and infrastructure industry, not precisely known for its high level of transparency. In order to facilitate information to the company's employees during a time of heightened concern due to the business group's crisis situation and resulting adjustment and transformation process, he asked the general director of communications (and member of the steering committee) to draft a summary of the decisions adopted by that body and publish the information online. Needless to say, the summary of the meetings did

not include the minutes or reveal any information that could compromise their business strategy; however, it did include a list of the matters being broached and the main decisions being taken so all the people at FCC could have a clear vision of where the company was headed.

## Plain language

The importance of using plain language is a necessary consequence of the preceding principle. The International Plain Language Federation defines this concept as follows: "A communication is in plain language if its wording, structure, and design are so clear that the intended audience can easily find what they need, understand what they find, and use that information."

In 2015, the National Planning Department of the Government of Colombia published a *Guide for Plain Language for Public Servants (Guía de lenguaje claro para servidores públicos de Colombia)*<sup>25</sup> illustrating the advantages of using simple and straightforward language that can be easily understood by its citizens. The benefits are applicable to any public or private organization.

Plain language:

- Reduces mistakes and the need for unnecessary explanations.
- Reduces costs and the financial burden for citizens.
- Reduces administrative and operational costs for entities.
- Increases efficiency for processing citizen requests.
- Reduces the use of intermediaries.

<sup>25</sup> [http://www.portaltributariodecolombia.com/wp-content/uploads/2015/07/portaltributariodecolombia\\_guia-de-lenguaje-claro-para-servidores-publicos.pdf](http://www.portaltributariodecolombia.com/wp-content/uploads/2015/07/portaltributariodecolombia_guia-de-lenguaje-claro-para-servidores-publicos.pdf)

- Promotes effective reporting on behalf of the State.
- Promotes transparency and access to public information.
- Facilitates citizens' oversight of public management and promotes public participation.
- Promotes social inclusion for groups who are differently-abled, so they may effectively enjoy the same rights as their fellow country people..

An example of this principle is the TCR Project (Transparent, Clear and Responsible) carried out by BBVA in 2014. The outcome is evidenced in the company's TCR product information sheets, contracts, telemarketing scripts, complaint responses, and advertising campaigns. In regard to the product sheets, the bank's website states: "It is vital that customers clearly understand the benefits, advantages, costs and risks prior to purchasing a product. For this reason, the TCR product sheets (brief documents with the relevant information on the product) exist for 90% of BBVA's products for private customers in Spain, Mexico, the United States, Argentina, Chile, Peru, Colombia and Venezuela."

## **Materiality**

Plain language extends over into the principle of materiality. Although presently it is being applied to corporate social responsibility policies, the concept originated in accounting rules. International accounting guidelines introduce materiality through the concept of relative importance, which allows for certain financial information (entries, data and/or events) to be excluded from financial statements if it is not materially relevant.

Within the sphere of CSR, materiality is defined by the *Global Reporting Initiative* (GRI) as "the threshold at which aspects become sufficiently important that they should be reported." A report should cover aspects that reflect any significant financial, environmental and social impact on the organization's influence (positive or negative), vision, objectives and strategy.

Materiality applied to transparency implies organizing the information and its distribution according to the impact it can have on stakeholders and interest groups. Undoubtedly, the application of the materiality principle requires the entity be aware of its stakeholders' concerns and expectations. Hence, the organization should not offer the information it wants, but the information others want (explicitly or potentially).

Mapfre has been applying the materiality principle in its reporting since 2014. The insurance company carries out this transparency exercise in two phases. The first phase involves an internal analysis of the identified issues: "Specific issues have been determined for each stakeholder group, and transversal issues, among which the most prominent ones are transparency, human rights, innovation, information security or the environment." The second phase consists in consulting the stakeholders by means of an online, anonymous and confidential survey.

### **Traceability**

The International Organization for Standardization (ISO) defines traceability as "the property of the result of a measurement or the value of a standard whereby it can be related to stated references, usually national or international standards, through an unbroken chain of comparisons all having stated uncertainties."



Perhaps it can be worded in a simpler way: where the information comes from, what or who supports it and with what references.

If we think about a product in a supermarket, for example, traceability should allow us to reconstruct the story of how it was produced and how it arrived to the end consumer. The label should include information about the origin of the ingredients, the processes undergone by the product and the distribution and location following delivery.

Traceability is one of the principles applied by Nestlé to ensure the palm oil used in its products does not contribute to deforestation. "We're working with our partners, including The Forest Trust (TFT), to improve transparency, traceability and supplier behavior in the palm oil industry [...] to ensure that our suppliers comply with our Responsible Sourcing Guideline." Nestlé, which uses 0.7% of all the palm oil produced on the planet, assures that it can trace the origin of 90% of the product and has publicly declared its ambition "to achieve 100% responsibly sourced palm oil by 2020."

### ***Follow-the-money***

One of the most effective methods for discovering the motivation behind a certain piece of information is the financial benefit that can come from its dissemination. This principle is known as "follow the money."

A report published by a group of 39 experts at the request of the European Commission qualifies this principle one of the keys to transparency. The group—headed by Madeleine de Cock Buning, a professor from the University of Utrecht who specializes in intel-

lectual property, copyright and media— recommends this principle be applied to advertising to avoid financing organizations that spread disinformation.

This principle does not only apply to marketing communication but to all the information published by an organization. Knowing who is behind a message, who "owns it," can help convey the real meaning and intention.

The pharmaceutical industry's *Code of Good Practices*<sup>26</sup> is a good example. The affiliated companies are obligated to publish information regarding donations to health organizations, spending on training activities and professional/scientific conferences, professional fees and R&D agreements. Soon, this reporting will include itemized information on every specialist or person who receives donations, gifts or payments in kind.

The pharmaceutical industry states: "the Code becomes key to guarantee that the information provided in the field of promotion of prescription-only medicines is complete, accurate and objective, everything to benefit the interests of both the Healthcare Administration and the pharmaceutical industry itself, with the aim to protect and improve public health."

## Context

The money backing certain information is part of its context. This term comes from the Latin *contextus* and refers to everything surrounding, physically or symbolically, an event. Based on the context, a person can better interpret and understand a fact or event. Putting information into context implies disclosing who does (or says) what, where, under what circumstances and

<sup>26</sup> <https://www.codigofarmaindustria.org/servlet/sarfi/elcodigo.html>

to what end. Putting statements into context authenticates them as it reveals who is behind them.

For organizations, context essentially has two dimensions: the physical circumstances surrounding the communication and the cultural setting. The former refers to when, where and with what elements the communication takes place; the latter refers to the body of knowledge and experience, the behaviors, beliefs and feelings of the individuals who live in a specific community.

In our hyper-connected digital world, information has practically become a commodity. The real value does not reside in the ability to convey news, but in putting that news into context and analyzing the specific circumstances. Within the realm of journalism (and once we are able to get past the wave of triviality that has swept over social networks, one click at a time), the news outlets with the brightest future will be those that can better explain the facts without renouncing to their editorial policy. A similar thing is true in the communications industry, where the most highly-regarded professionals are not those who know the most about their company but about the industry in which that company operates.

The Global Capabilities Framework (GCF), a project conducted by the University of Huddersfield (United Kingdom) and the Global Alliance for Public Relations and Communication Management, supports that "contextual intelligence" is one of the key skills for communicating. The document divides contextual intelligence into three sub-capacities: 1) The ability to see the big picture; that is, the ability to consider the social, cultural, political, technological and economic

implications; 2) The ability to identify strategic opportunities and threats, issues and trends; and 3) The ability to operate in a connected world, demonstrating broad understanding of local and global diversity in culture, values and beliefs.

The principle of context partly explains the motivations of Orange for creating its own communication outlet: Nobbot. "We want to offer a new proposal: a platform that pays more attention to the why than to the what or the where, and celebrates the benefits that technology brings to people and organizations. Although the format and content are journalistic, it is not our intention to compete with media outlets that already do an excellent job of covering current technological developments in our country. However, we will try to complement that information using our own personal voice, the voice of Orange." This declaration of principles is accompanied by a few candid admissions: "we will not be objective, but we will be honest."

**DIGITAL & FINANCIAL**

## **Radical transparency: how to make the most of technology and boost stakeholder dialogue**

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Statistics<sup>27</sup> abound showing we live in a digitalized society. One need only consider the many eyes glued to mobile devices at any given time or place.

As a result of this global phenomenon, it is also clear institutions and corporations are subjected to what some call "hypertransparency" (Cortes and Pino, 2016). Political and corporate scandals are frequently reported on around the world using social media, personal experiences, private data and confidential documents.

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<sup>27</sup> According to the Digital Society in Spain 2017 report (Fundación Telefónica, 2018, 84.6% of people between 16 and 74 used the internet during the last three months of 2017, an increase of 5% over the previous year, amounting to 29 million individuals.

But it seems most companies have yet to focus on managing the fine line between private and public aspects of corporate information in the digital transformation context.

Corporate transparency, as we know it, is no longer enough—a point researcher Elisa Baraibar stressed in her thesis on this subject (Baraibar, 2013). She insisted it is vital, as a result of modern technology, to incorporate social modification and the transformation of company-stakeholders' relationships.

### **Radical transparency**

Baraibar's research explains the concept of radical transparency, quoting Thompson (2007) to define a model of transparency management that implies the ability of a company's senior management to use new internet-based technologies to create direct and ongoing dialogue with customers and other stakeholders. This transparency is often observed in the first steps of start-ups, and it is being adopted by some technological firms that are among the biggest companies in the world.

The work of prestigious analysts of the digital economy (Anderson, 2006; Beal and Strauss, 2008; Holtz and Havens, 2009; Tapscott and Ticoll, 2003) allows us to identify the behavioral guidelines and shared beliefs that make up the culture of radical transparency. The guidelines and beliefs are at odds, in several aspects, with those of conventional transparency, which hamper the response of traditional companies to the expectations of their interest groups in a digitalized society.<sup>28</sup>

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<sup>28</sup> To give shape to this idea, we take as a reference the "contextualization of transparency in integrating elements of corporate communications" proposed by Baraibar (2013).

### *Regarding the recipient*

The recipient of the information, defined as an interest group or a stakeholder in the company, is often overlooked in conventional transparency, which fails to consider the essential belief of empowerment of the individual, which is the foundation of the digital transformation.

Conversely, the radical transparency culture assumes the idea that customers, employees, suppliers, shareholders and private citizens are the main protagonists in corporate communications, promoting corporate transparency through their active participation in online social media.

### *Regarding the channel*

There are hundreds of studies—in print and online form—on corporate reporting requirements as the principal channel for corporate transparency. This is the most broadly applied guideline, based on precisely defined models (IFRS, GRI, IR, etc.)

Much less has been written to defend online social media as legitimate channels of corporate transparency, although they characterize the day-to-day reality of radical transparency. This is especially relevant when we consider the way in which the leaders of these companies themselves use their personal social networks.

### *Regarding the message*

Guidelines on corporate information disclosure—whether this involves financial information or ESG criteria (environmental, social or governance)—also abound in documents and references that offer the



classic definition of transparency (Aldama Commission, 2003). In this sense, the following classification of these messages is worth noting:

- The volume of information: the trend seems to favor quality over quantity, in line with the integrated reporting approach.
- The materiality of information: the basis for transparency lies in accounting rules, especially in requirements of data precision and reliability.
- The timeframe for information: the emphasis is on periodicity or regularity for releasing reported information for it to be of use.
- Engagement with recipients: the debate focuses on equitable or symmetrical accessibility (physical and intellectual) of the information for different interest groups.

If we look at these same attributes from the perspective of radical transparency, we will find highly challenging points of view for the management of information in a context of digital transformation:

- The volume of information: search engine and social networks algorithms seem to play a vital role in managing the quantity and quality of corporate information that ultimately reaches interest groups. This highlights the importance of message-positioning techniques known as search engine optimization (SEO) and social media optimization (SMO).
- The materiality of information: concern today focuses on ensuring verification of corporate messages (fact checking) in view of the exponential scope for manipulating and falsifying these messages on social media (fake news).

- The temporary nature of information: clearly, the challenge for management is about more than just periodicity to meet ongoing demand for information and interaction from interest groups in real time on online social media.
- Engagement with recipients: according to the tenets of radical transparency, messages are considered to have met their goals not only when recipients access them but when they interact with them, engaging in dialogue with the company.

### *Regarding the issuer*

The essential shared belief of transparency involves the moral obligation of accountability in response to the burden of responsibility. Historically, this has been understood as a responsibility that a political authority gives to a company (as the issuer of corporate information) by way of codes and rules of conduct.

However, according to the radical view of transparency, this responsibility is given to companies by their interest groups, which also expect and demand to see the issuer's accountability in observance of the same codes of online and social media: visual, personal and in real time.

Therefore, to be considered transparent, companies must internalize two fundamental beliefs:

- The first relates to the concept of reputation<sup>29</sup> and implies interest groups' or stakeholders' expectations are a constant point of reference throughout the communications process.

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<sup>29</sup> The LLORENTE & CUENCA reputation model "Reputational Relevance" includes "transparency" as an expectation among interest groups regarding corporate behavior (Cardona y Tolsa, 2018).

- The second relates to corporate responsibility, which involves being responsible for informing each and every interest group about the company's economic performance, as well as social and environmental impact.

Additionally, in the current context of digital transformation, a transparent company would need to adopt at least four rules of conduct that are characteristic of brand journalism (Tascon and Pino, 2014) and authentic advocacy (Pedrol et al., 2018; Gonzalez and Perez, 2018):

- Involving executives in the process of communicating corporate transparency using their own digital identities as channels.
- Maintaining a "verification discipline" for information related to the company, in accordance with the best journalism practices.
- Constantly practicing active listening and real-time interaction with interest groups through online social media.
- Applying SEO and SMO criteria to corporate messages.

### **Elon Musk (Tesla): «Funding secured»**

If anyone were asked to name a "disruptive" businessperson, odds are the answer would be Tesla's CEO, Elon Musk. Musk has a well-known tendency of breaking schemes and challenging established regulations. Said tendency can be seen through his impact in the automotive, railway and aerospace industries—and even in the rigid world of financial and corporate transparency.

After several unfortunate tweets and amid a climate of shareholder mistrust toward the company's future, Musk launched through his Twitter profile the following

message: "[I am] considering taking Tesla private at \$420. Funding secured."

The debate generated by his tweet had two consequences. The first was seen on the same day: the price of Tesla stock rose 11 percent, although it subsequently fell, which served as a means of gauging the market's response to a potential privatization of the company. This was a highly significant evaluation for such an indebted company, in which bondholders may convert their debt securities to equity after reaching a certain value, thus sparing the company from having to deal with the redemption of the bonds.

The second consequence was that, for two intense weeks, the entire financial world (investment banks, stock-market regulators, institutional investors, shareholders, etc.) was forced to take a position regarding Tesla's plans, in one sense or another. Many of those who seriously questioned the company's future before the controversial tweet contributed to the confirmation of Tesla's continuity on the stock market. Musk responded, saying, "Given the feedback I've received, it's apparent that most of Tesla's existing shareholders believe we are better off as a public company" (BBC, 28 August 2018).

Now then, what actually happened? Was it an exercise in radical transparency or a huge joke that may have legal consequences? Perhaps both.

We know the proposed privatization had been effectively suggested by a Saudi sovereign fund holding 5 percent of the company's shares, and, before the controversial tweet, the idea had been discussed by the company's board of directors, which resolved to form a committee to study the initiative with the guidance of consultants Silver Lake and Goldman Sachs.

There was a conscious effort to forego the use of the formal financial information channels of conventional transparency. The usual 8-K form for these matters was not used, nor was there any mention of privatization in form 10-K of the company's most recent quarterly financial statements, although the matter had been dealt with at the same board meeting that authorized the accounts.

Instead, Musk chose to use Twitter to conduct an open debate on the company's plans, which the SEC allows, provided investors have been previously informed of the use of said channels for announcements (De Haro, 10 August 2018). In this sense, Tesla stated to its shareholders November 2013 that Musk's Twitter feed would become an additional source of information on the electric-car manufacturer.

Because of this, the U.S Securities and Exchange Commission (SEC) decided to sue Musk in September for sharing "false and misleading public statements" regarding the company's market price on twitter. The tweet led to Musk's resignation as chairman of the company two days after the complaint (though his role as CEO was not affected), an action deemed untimely and exceptional by some and fit and necessary by others.

# DIGITAL & CRISIS

## **Against fake news in the company: real advocacy**

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### **The fake news phenomenon**

"One Sunday in December 2016, Edward Welch, 28 years' old, the father of two children and a voluntary fireman, left his house in North Carolina determined to sort out for himself what he had heard on the news. He drove his car for 600 kilometers to Washington and entered the pizzeria Comet Ping Pong armed with an AR-15 assault rifle, a gun and 29 rounds of ammunition during rush hour. He shot into the air three times, fortunately without hitting anyone, and he started looking for

Satanic signs, underground chambers and passageways. He was convinced there were children inside who had been kidnapped and sexually exploited by a pedophilia network led Hillary Clinton's campaign manager."

This is how journalist Marc Amoros starts the third chapter of his recently published book *Fake News. La verdad de las noticias falsas* (The truth about fake news) in which he warns us that fake news is not a joke and has real consequences. For Edward Welch, a real sentence of four years in prison for the case known as PizzaGate, which the *New York Times* looks at in this report<sup>30</sup>.

In an interview for "Developing Ideas" from LLORENTE & CUENCA, Amoros defines fake news: "It is false information which is spread with the appearance of real news so we will believe it and so it is spread with an objective. Without an objective there is no fake news. Basically, there are two objectives: economic, you're trying to get money; or ideological, you're trying to manipulate, instill in or transmit to a broad sector of the population an idea about an object, a person, a policy."

Another of the features of fake news is its power and potential to go viral compared to real news. According to a study carried out by researchers from the Massachusetts Institute of Technology (MIT), in which they analyzed 126 000 Twitter stories shared by 3 million people between 2006 and 2017, fake news is 70% more likely to be retweeted, and it is real people (not the bots) who are responsible for propagating this information.

The proliferation of this cascade of disinformation is also affecting traditional media and the internet giants.

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30 <https://www.nytimes.com/interactive/2016/12/10/business/media/pizzagate.html>



In his editorial as the new director of the *New York Times*, Arthur Gregg Sulzberger focuses on fake news as one of the main bones of contention of the "gray lady": "Disinformation is increasing and confidence in the media falls as technological platforms prioritize clicks, rumors and propaganda rather than real investigation (...) Just like our predecessors on the *Times*, my colleagues and I will not give in to these powers." In the case of Facebook, Google and Twitter, they announced at the end of last year their commitment to use trust indicators to help users review the truthfulness of publications and of the journalists responsible for the articles which appear in the news' feed.

According to Marc Amoros: "What we have to understand is that the technological tools are already within the reach of everyone and they make it very easy to create fake news. You just need a little thought, to be a little crafty to mock up the news, Photoshop to tamper with a photo and there are even software programs which allow words to be put into people's mouths that they never said with their own voice. It is becoming increasingly hard to detect what is true and what is false. If we reach the point where we can't distinguish between what is true and what is false, we will reach the point at which we only believe that which confirms our opinion."

The fake news' empire has already flooded TV fiction too. In seasons 6 and 7 of the series *Homeland*, in which Claire Danes plays a CIA agent, fake news sets the tone for the plot (*spoiler alert*). Other series such as *The Good Fight* and *Quantico* have also chosen fake news as their preferred narrative mainstays, being based on a reality which has severely affected the United States in recent years and has impacted the course of its political and social life.

## Going beyond politics. Fake news and the company: the reign of the hoax

The impact that fake news has had in the political sphere is well-known with the victory of Donald Trump or the pro-Brexit campaign in the United Kingdom, becoming a turning point in our recent history.

Fake news is not a passing phenomenon but rather a perfect storm brought by technology that is not going to just disappear in the next few years. The technological consultant Gartner assures us in his report *Technology Predictions for 2018* that in 2022 the citizens of mature economies will consume more fake news than real news. He also warns that going beyond the political and media impact that they have had in 2017 worldwide, fake news represents, at the same time, a serious problem for companies. "Companies not only have to closely monitor what is said about their brands directly but also in what contexts to make sure they are not associated with content that is harmful to the value of their brand," the report stresses.

If anyone in this country has declared war on fake news, it is Maldito Bulo. With more than 465 000 followers on its different social networks, it has managed to become an authorized, official voice for denying fake news. And it does so with the same formula: ingenuity, impact and going viral. Behind this army of denials, there is a group of journalists whose purpose is, in its own words, "to provide readers with tools so that they don't get conned."

The journalist Julio Montes is a co-founder of Maldito Bulo: "We receive at least 15 hoaxes a day excluding those which are repeated. We can't cope with reviewing them all, and we try to break down those that contain

the most impact. At present, we have resolved around 500 hoaxes. Let's hope that this year we have the capacity to resolve more hoaxes and in particular to do so quickly, which is our major aim: to stop the hoax before it attains its peak."

### **How to tackle hoaxes. The active role of companies**

At present, there is a growing debate about how to tackle the fake news that circulates online. Some authors like Darrell M. West, the director of the Center for Technology Innovation Brookings, point to the need to involve governments, institutions, the media, companies and citizens in order to solve this problem. According to West, governments and educational institutions must promote information literacy, the media must provide quality journalism and fight disinformation, technology companies must invest in tools to help identify hoaxes and, finally, citizens must compare information.

So, do companies have to wait for these measures to be taken whilst, as we have seen previously, they are affected by hoaxes and fake news? We believe that in the age of hypertransparency in which we live, silence is no longer an option and just by taking up an active stance, companies can find a way of taking on the lurking disinformation.

Maldito Bulo is quite clear about the mechanism to fight them: transparency, early detection and the dissemination of denials by trustworthy channels of the community. "We must learn to fight disinformation with its own weapons. Going viral with the denials and creating communities who are willing to help," adds Montes.

In this regard, Marc Amoros offers three key pieces of advice which companies must follow if they wish to

win the battle against fake news. The first is to carry out constant, very active listening on the social networks. "We need to monitor what your positioning is and your brand's dialogue in order to ensure that if fake news is spread, it can be detected in time. The earlier you detect a rumor, the sooner you can react."

Secondly, he recommends acting and denying false information: "The brand must never opt for silence when faced by fake news which is damaging to it. There are trademarks, like people, who think that it's not going to go viral and we opt for sitting back and waiting. Before we realize, it's spread quickly and has become so big that we're left with: how can we deny all this now?"

And the final recommendation is to respond in the same way, within the same mental framework as the fake news: "Just saying that this is a lie doesn't work." Amoros points out: "You can't try to compare false information which appeals to an emotion or feeling to hard, cold data."

### **Fighting disinformation with advocacy. Some key points**

In addition to the reflections by Maldito Bulo and Marc Amoros, we would like to add the need to work on prevention. In addition to the denial techniques after the rumor has been detected, we need to build prevention mechanisms that put us in a better position to tackle fake news. What are these mechanisms and how are they coordinated? In our opinion, they typically involve the development of digital identity programs that promote the presence of the managers and employees of the companies on social networks. The logical response is to take on the lie promoted by

false profiles/ interested parties/misinformed parties with true information promoted by real, informed ambassadors. Basically, taking on fake news with real advocacy. We can summarize the main benefits of this perspective by four key points:

### *1. Humanize the communication*

Authenticity, transparency, credibility and trust are values which have come into play in the new digital age. However, how should they be applied? Recently, Ivan Pino in the report *Digital Experience* provided the key: "the media is not the message. The media is the person." This concept has already been applied to perfection by the leaders of Tesla and Amazon. Elon Musk, the CEO of Tesla, denied on his Twitter profile the information published by *The New York Times* about the car model, Model S. The same modus operandi was used by Jeff Bezos who denied ironically on Twitter the news related with Amazon's intention to open automated supermarkets. The tweet achieved more than 1000 likes and 478 RTs. They are both examples of how companies have managed to halt the impact on their reputation by personalizing the message and making the most of the digital identity of their CEOs. In the digital environment, companies who opt for a "human voice" as a value proposition increase their credibility.

### *2. Boost leadership and increase the influence of organizations*

In addition to the corporate channels companies have available, their ambassadors become spokespeople qualified to highlight the attributes of their companies. An example is Antonio Llarden, the chairman of

Enagas who, through a personal blog, shares his vision about the present and future of the sector, highlighting aspects that are being developed by the company he heads up.

However, the ambassadors not only boost the leadership of the company, but they increase its influence. According to RAE, the influence is: "The power, favor, authority of someone towards another person/people." So, a quality of people and not of corporations. Working on the influence of a company in the digital area necessarily involves working on the digital identity of its managers or employees.

### *3. Position the ambassadors as references*

The development of a solid digital identity consistent with the values of ambassadors makes their participation in said communities, with which they share interests, more credible by consumer motivators on certain themes and/or subjects. This is the case of Rosa Maria Garcia, the chairperson of Siemens España, who defines the leadership, the management of companies and innovation as mainstays of her discourse on social networks, or Mary Barra, the CEO of General Motors, positioned in the territory of the empowerment of the woman and her development in STEM.

### *4. Promote transparency and contribute to reputation*

The personal brand projects of managers and spokespeople developed by companies are a key element for promoting dialogue and relationship with their main stakeholders and, accordingly, a commitment to transparency. Basically, as Adolfo Corujo put forward in *UNO Magazine* #13, "those managers who tackle this cultural

change intelligently will make a decisive contribution to improving the corporate reputation of the companies they lead."

Aware of the benefits but also the cultural stress this perspective entails for organizations; how can we approach a program of this type? Our colleagues Luis Gonzalez and Jon Perez recently drew up *The 10 golden rules of Employee Advocacy*, which is extremely useful for approaching programs with employees. Backed up by these keys, we now wish to define the steps to be taken to manage an ambassador network that transmits with authenticity and truthfulness the reality of the company but, when the time comes, can also serve as a protective shield against hoaxes.

### **Developing an advocacy program step-by-step**

*Starting point. Define your conversation territories and identify the communities*

A few years ago, our colleagues Adolfo Corujo, Ivan Pino and David Gonzalez Natal reflected about the new communication borders, and they introduced two concepts into the debate: territories as stable masses of conversation and communities of interlocutors that are not identified by demographic criteria but rather by the sense of belonging to a group which shares values, interests and purposes.

Today, the effectiveness of communication involves delimiting the conversation territories in which I wish to position myself as a company and, beyond this, such communities I wish to reach.

This point is key in digital identity development programs. If we don't understand who the people are

with whom we wish to talk and the themes of interest, we will not be able to develop the influence of our advocates. As Pino and Gonzalez pointed out in their reflection on *Digital Experience*, effectively combining communication and marketing, at the stage of implementing a process to convert our stakeholders into ambassadors, it is key to determine the time of exploration at which "we will be ready to design the archetypes of people we wish to attract and win over, bearing in mind their interests, emotions and characteristics. An outline sketch of the members of the community we hope to promote and of the sense of belonging which could be cultivated with them with regard to shared values and purposes."

### *Stage I. Create the participation framework*

Once the conversation territories have been defined and the communities and people with whom we wish to relate, we need to determine the participation framework within which we will develop the program.

It is likely that a company already has employee participation policies, but it is equally likely that said policies are several years old and are more restrictive and limiting rather than incentivizing and motivating. Is it worth developing advocacy programs in organizations with restrictive participation policies? The answer goes without saying. Although it seems like a minor issue, before tackling an ambassador program it is important to reassess internal policy. In many cases, reviewing these standards and determining new, more stimulating ones is the real starting point for working on digital identity development programs for managers and employees.



## *Stage II. Provide tools to your employees and select employees with the potential to be ambassadors*

After the standards comes the stage of training and providing tools and know-how to potential ambassadors. Training sessions are not only useful for providing instruction but also for identifying those ambassadors with the greatest potential. In this regard it is important to consider: what makes an employee a good advocate? In our opinion, there are two main qualities which define a good ambassador. On the one hand, the attitude, in other words, his/her being well predisposed to sharing content about the company, identification with the purpose. On the other hand, influence, referring to the ability to become a reference or influencer in one of the target communities which we have defined beforehand.

Good training will thus focus on these two lines: on transferring the mutual benefit (for the company and the ambassador) of an advocacy program and thereby working on attitude and providing the tools, techniques and some keys which allow the increased influence of employees on the networks.

## *Stage III. Define the personal editorial lines*

Our digital identity reflects who we are and how we present ourselves as professionals online, constructing our personal brand and the footprint we leave. This is why, before taking on an advocacy program with some of the managers or employees of our organization, we need to work with them on their own editorial line and channels plan. Which themes are we going to talk about and what is our contribution? Who am I trying to reach and who do I have to relate with? —These are questions we need to look at if we wish to be successful.

### *Stage IV. Organize, incentivize and monitor participation*

At this final stage, after defining the territories and communities, having created the participation framework, trained and selected the ambassadors and developed the editorial line with them, efforts must be focused on organizing, incentivizing and monitoring said participation. The key is, on the one hand, keeping the program alive to activate it vis-à-vis the risks where necessary and, on the other hand, measure the participation of our managers and employees to detect areas for improvement in the program and identify said ambassadors with greater potential.

We are not facing a simple problem and it thus requires us to adopt more sophisticated solutions to prepare. In this context there is a phrase attributed to Albert Einstein which seems to apply: "if you want different results, don't do the same thing." As communication and reputation professionals we need to tackle new problems with new solutions. And fake news is a new problem which seems (unfortunately) to be here to stay. In this case, the phrase "truth is stranger than fiction" may even seem a bit confusing. Fiction ends up becoming, if you repeat it often enough, reality and this pseudoreality is generated into a "shared truth." It lies within companies and society to make a joint effort to combat this.

## **Keys and errors in managing reputation crises in a global society**

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What does transparency mean for crisis communications in a world where reputation has never before been so vulnerable and at the same time so necessary? We have shifted from transparency to hyper-transparency in a global society where anything and everything can now easily be checked. Controlling a company's narrative and protecting it against public opinion and stakeholders is becoming increasingly difficult, and must be done in real time, which is what sets the pace in a digitalized world.

Curiously, this reality forces all organizations to be more proactive in their communications, making

transparency management their greatest challenge, a reality that becomes even more important because of the responsibility it shares for a firm's reputation, with the perception of trust. Consequently, transparency is now seen as a strategic asset in business management.

Companies, brands and people all live in a glass box, where everything is transparent and prone to being made public, thus placing risk management in a new light which brings challenges when dealing with it. Moreover, companies that are transparent in their everyday business will be rewarded when managing a reputational crisis by public opinion and stakeholders, since they will have a position of greater trust and better relationships.

However, despite all the management protocols or crisis manuals a company might have, unless its management includes the cornerstone of transparency from the beginning, it will be impossible to obtain optimum results from the procedures applied and minimize the potential adverse effects. Transparency is not an objective, but a means to securing an environment of trust within organizations.

The conclusion is that being transparent and responding quickly and efficiently is fundamental in crisis management and an essential asset for protecting both the brand and the business: it is the trump card of all organizations at times of crisis.

### **Characteristics of the risk scenario in current times**

Companies now have 24/7/365 exposure to public opinion and any crisis spreads at the speed of light. Businesses, brands, CEOs and executives must be ready for a rapid and agile response at any time and with a

limitless target impact. This socio-digital context has resulted in hyper-connectivity and hyper-vulnerability. A world in permanent connectivity that allows fluent communications and immediate feedback. Hyper-connectivity develops in cyberspace, and we live in totally dynamic environments and circumstances where many crises first come to light on social media. These in turn make us much more vulnerable.

On one hand, citizens are empowered by the ease with which they can spread and make viral any type of content; the lines of where "online and live" begin and end are rather blurred. As Jose Antonio Llorente, founding partner and chairman of LLORENTE & CUENCA, explains in the magazine UNO 31 "Hyper-connected and hyper-vulnerable"<sup>31</sup>, we are witnessing the birth of a cyborg society, in which the use of smartphones is converting everyone into a risk vector: "citizens (many of whom have become cyborgs by virtue of their mobile extensions) not only spread information to all corners of the planet in a matter of seconds, but sometimes do so with even greater enthusiasm when the information is false, as recently shown by MIT research<sup>32</sup>." This not only stimulates the growth of social activism, where the users of services/products and other people come together in social networks and forums to assert and pursue their interests, but also opens the door for the formation of misinformation bubbles.

On the other hand, this transparency requirement is imposed by different stakeholders: citizens, users, customers, consumers, partners, associations, the media,

31 Llorente, Jose Antonio, "Hiperconectados e Hipervulnerables," *UNO* 31, 2018. Available from: <https://www.uno-magazine.com/31-number-uno-hyperconnected-hyper-vulnerable/high-cost-reputation-crises-ready>

32 Science, 9 Mar 2018, Vol. 359, Issue 6380, pp. 1146-1151 "The spread of true and false news online." Available from: <http://science.sciencemag.org/content/359/6380/1146>

institutions... There are no differences: all stakeholders demand, to a greater or lesser degree, transparency from companies, organizations and governments on a daily basis. In our relations with the media, this forces us to be more proactive, open and honest. We must also consider cyber threats, which make the future uncertain because of breaches in data protection, and cybercrime, with all sorts of digital crimes. Both of these phenomena are growing in importance as they become potentially more disruptive, as mentioned in the latest *Global Risks Report 2018* of the World Economic Forum<sup>33</sup>.

It is worth noting that, among the top 5 global risks by probability this year, cyberattacks ranked third and data theft or fraud ranked fourth, both having a direct impact on companies' transparency levels. Some well-known examples from 2017 were the WannaCry attack, which affected about 300 000 computers in 150 countries, and the NotPetya attack, causing quarterly losses of some US\$300 million for several companies. The recent cyber-attack suffered in August 2018 by British Airways, with the theft of personal and financial details of its customers, for those who booked through the airline's website and mobile app, is just one example of our vulnerability and the need to be prepared to tackle this kind of crisis, which is becoming increasingly common and from which no company is safe.

Another growing trend is the use of cyber-attacks aimed at key infrastructure and strategic industrial sectors, which in a worst-case scenario, could collapse systems that currently keep societies operating. This

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<sup>33</sup> *The Global Risks Report 2018* of the World Economic Forum. Available from: <https://www.mmc.com/content/dam/mmc-web/Global-Risk-Center/Files/the-global-risks-report-2018-es.pdf>

cyber dependence is on the rise and because of the growing digital interconnection among people, things and organizations, which could help to magnify and alter any kind of risk.

Also, we face the challenge of adapting to constantly evolving management, learning to live unpredictably. The old crisis manuals and protocols are no longer valid: they must be adapted to a digital vision and include protocols of how to act in the face of the new cyber risks, with permanent access from anywhere to procedures and materials.

The rapid growth of misinformation, fake news and rumors forces us to monitor news constantly and make sure we are able to react quickly to any lies, biased information or half-truths. "We have access to such a large volume of information that we are unable to digest the details when thousands of fresh news items replace those that the networks just provided. It is this same hyper-connection that has made society hyper-vulnerable to misinformation, hoaxes, rumors and all kinds of cyber-attacks," point out Ivan Pino, partner and senior manager of the Digital area, and Luis Serrano, global manager of the Crisis and Risk area, at LLORENTE & CUENCA, in their article: "The new paradigm for crisis and risk communications"<sup>34</sup>, in *UNO* 31.

### **Most common crisis management made withing a transparency context**

Most mistakes made by companies in a crisis, considering the continuous risk to which they are exposed, are closely related to a lack of transparency. We outline

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<sup>34</sup> Pino, Ivan & y Serrano, Luis, "The new paradigm for crisis and risk communications," *UNO* 31, 2018. Available from: <https://www.uno-magazine.com/31-number-uno-hyper-connected-hyper-vulnerable/new-paradigm-crisis-risk-communications/>

below the five most common errors that go against the valuable quality of transparency:

1. Transparency vs striking a balance: Transparency is frequently confused with the habit (and often the duty) of providing information. In the initial stages of a crisis, it is important to obtain all necessary documents and details to define the company's strategy and message to make the most appropriate decisions. Being transparent does not mean we have to give absolutely all the details of what has happened, especially as there may be some aspects yet to be discovered. Transparency means not lying, being honest and being able to develop the story and fill in the details as the crisis progresses.
2. Being late: Transparency should be part of the strategy from the beginning. Using it as a last resource to try to solve mistakes will be punished by public opinion. The best course of action is undoubtedly to be transparent and admit mistakes from the beginning.
3. The ostrich technique: Believing there is no need to be transparent, that the crisis will blow over and that it is best to hide your heads in the sand like an ostrich is another common mistake. Failure to provide answers and official communications will be detrimental to solving the crisis.
4. Concealing information: Although this might be the first natural reaction of organizations, concealing the negative parts of a story (or even lying) always ends up being counterproductive. And it is for a simple reason: the likelihood the public will eventually find out is extremely high and when this happens, the crisis will be magnified and get worse. Also, the company's integrity will be questioned.



5. The absence of proactive corporate communications: A company offering communications or transparency for the first time in a crisis may be met with certain skepticism among public opinion, so it is important to have a proactive corporate communications strategy that will act as a buffer and serve as a base for communications and management during a crisis.

### **Keys to incorporating transparency crisis management**

Companies are only able to implement a transparency strategy at times of crisis if it is already embedded in their corporate culture. Businesses should also have the necessary technology and tools to enable them to manage the crisis correctly. Otherwise, regardless of how well they prepared their team and all their goodwill, they will be unable to respond adequately. The key aspects that must be kept in mind to incorporate transparency into crisis management are described below:

- Prevention and monitoring of possible critical issues at all times. The best prevention strategy is being permanently present in cyberspace, listening actively and making an intelligent analysis of all data. This will provide the opportunity to anticipate possible contingencies and address them in a more transparent manner.
- Leading communications. It is crucial to be one step ahead in publicizing the organization's messages and building trust: tell your story before the media or social media tells it for you. This is the only way to safeguard and strengthen the company's reputation: taking control of communications. This is explained by Jose Manuel Velasco, executive communication coach, in the article Seven principles

for managing transparency<sup>35</sup>: "The decision of whether to inform is no longer an option; even the choice of when to inform is frequently unavailable." Remember that we now have "a new scenario for communications in which transparency is no longer a strategy or an option: it is an essential condition."

- Multi-stakeholder and multi-channel transparency: Transparency should not be applied only to the media, but should also take into account all stakeholders and channels through which the company is able to communicate. Organizations should be able to respond to the growing demand for corporate transparency.
- Having a sound plan to respond to an incident or a crisis is extremely important: it enables us to identify risks and make sure the main spokespersons and executives are ready and aware of the importance of leading communications through a transparency strategy. This will boost the agility and ability to coordinate.
- Incorporating the transparency culture in organizations: Transparency should not only be applied at times of crisis, but should be an intrinsic value in all organizations. This would make their measures more effective when responding to a crisis. Employees may prove vital, as they are usually active on social media. Therefore, by training them and informing them of the company's efforts to be transparent, they can be converted into brand ambassadors, able to share key messages through their own channels in times of trouble.

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<sup>35</sup> Velasco, Jose Manuel, "Siete principios para gestionar la transparencia," Available from: <https://www.developing-ideas.com/2018/06/13/seven-principles-for-managing-transparency/>

- **Ethics:** Engaging in self-criticism, constant self-assessment and looking inwards to define values and purpose. This will enable organizations to become more transparent and present themselves to the public as they really are, not only in their everyday activities, but in risk situations. Ethics and honesty are allied with transparency.
- **Digitalization:** Companies should invest in process technology to expedite the detection of risks, notification of alerts and implementation of management protocols, using tools that are currently available in the market, such as SOS Works<sup>36</sup>. Transparency is also linked to digital transformation and rethinking company procedures. One common mistake is to think what happens in the digital world is a crisis confined to cyberspace. But there are actually no barriers and, if we keep different departments sealed off, this will impair our transparency and agility. The companies making the most progress in their digital transformation will be more transparent and respond better in crisis situations.

In short, companies must see transparency as a strategic element, rather than an enemy to be given a wide berth, although to incorporate it in their everyday activities, organizations need to reformulate or transform their corporate culture and how they work.

Transparency is essential to building and protecting a company's reputation and it should be the backbone of any crisis management.

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<sup>36</sup> <https://www.sosworkstech.com/>

## **The new paradigm for crisis and risk communications**

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**Luis Serrano**

Global Leader of the Crisis Area  
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We are experiencing a change in the communications paradigm. Society has become digitalized. Citizens, as pointed out by cyber-anthropologist Amber Case, have become cyborgs by virtue of their mobile extensions. Smartphones have changed how we obtain information and relate to our surroundings. We are connected from the moment we get up until we go to bed. True, we are changing the ways in which we establish these connections. Before, we interacted more through open social networks, which took up a lot of our free time. We are now more focused on seeking quality information,

perhaps tired of spending so much time on these networks. Therefore, we now pay more attention to *dark social*, referring to closed, interpersonal instant messaging networks, according to a recent study by Buzzsumo.

The hyperconnected world in which we live offers enormous benefits in terms of instant access to information, wherever we are. We have access to such a large volume of information that we are unable to digest the details when thousands of fresh news items replace those the networks just served. It is this same hyper-connection that has made society hyper-vulnerable—hyper-vulnerable to misinformation, hoaxes, rumors and all kinds of cyberattacks.

Cyborg-citizens are also cyber-employees. Thanks to their mobile extensions, they have become unauthorized company spokespeople. We experienced this in May 2017 with WannaCry. Employees disclosed confidential information through *dark social*—the same employees who have become the priority vulnerability vector through which hackers gain access to the hearts of businesses through emails and, nowadays, via smartphones. So, society's digital transformation into a transmedia communications environment produces cyborg citizens who are genuine risk vectors. This is no longer a small enemy. Any of us can be the origin of a serious reputational crisis for a brand.

The continuum of the crisis we are in, to quote Jose Manuel Velasco, has led to a scenario of distrust in institutions, companies and their messages. General belief in the system has been undermined. Cyborg-citizens have grown suspicious and skeptical. Everything is now questioned and analyzed. The business model

for crises in media has contributed to this. Underfunding in editorial offices has led to less rigorous reporting and serious errors in news productions that have affected all the media, including renowned publications.

Cyborg-citizens have organized themselves into a new system of digital communities. They chat within territories. The leaders of the communities they live in direct the conversation and act as standard bearers for their common cause. Adequately mapping these communities and having a good knowledge of their conversations are essential, not only to identify risks and opportunities, but also to forge alliances (especially with their leaders) and try to neutralize the enemy.

### **Cyberspace as the new battlefield during crises**

Crises have mutated. They are nothing like they were 10 years ago, before the appearance of the first smartphone. Hyper-connectivity makes it impossible to separate crisis evolution and management from a digitized scenario. In fact, many crises are first made public through social networks. In other words, cyberspace is the chessboard on which the conflict will be settled, where cyberspace is considered to be the close connection between digital and analog space, where cyborg-citizens' relationships are conducted.

Our conversations can no longer be separated. They occur continuously, jumping from analog to digital and back. There are no online and offline crises, only crises settled in the analog-digital space through which we interact with our surroundings.

In this environment, crises are asymmetrical and mutate rapidly. "Local" and "national" crises no longer exist; they are all able to mutate rapidly due to our

hyperconnected cyberspace. All crises are settled in a digitalized space, because citizens are cyborgs.

We have gone from a traditional conflict, where states strive to control citizens, to a new model. Earlier conflicts were vertical and based on media control. It was an analog scenario, where data prevailed over emotions.

The new conflict model is multidirectional and digital. It is settled in cyberspace. Its evolutionary structure favors social distrust, the questioning of shared beliefs, changes in values and the undermining of the system. They are conflicts inoculated from the top down and bottom up, mutating rapidly through multiple platforms with global consequences, where the main viral vectors are emotions.

The major global crises are often hybrid. Major crises may develop through combined actions that may include, alongside traditional military methods, manipulation of information or economic pressure, coupled with cyberattacks to generally destabilize the system. The alleged Russian interference in the last U.S. electoral campaign is just one example of this.

The new crises are fast and self-replicating. The ability to grow exponentially and get out of control in just a few minutes makes an immediate response capacity essential to successfully implement any prevention policy or action. Constant risk monitoring through a complete early detection and alert system is vital for organizations. Technological solutions that analyze huge packages of data and automated screening processes are crucial.

Moreover, crises feed off and deepen one another autonomously. They often self-replicate in a random

and uncontrolled fashion. Once again, this is an effect of the cyber scenario in which they develop, driven by cyborg-citizens.

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**TALENT ENGAGEMENT**

## **The glassdoor revolution: transparency as the key for attracting talent**

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Close your eyes, relax and reflect for a moment on the following scenario. Imagine your company boldly decides to focus on transparency as a way to structure and organize all its activities, a scenario in which transparency is your company's new guiding light. Imagine it starts with small steps, like using the company's website to describe its values and how they influence its conduct. Now imagine that, a bit later, your company decides to share information on important matters, such as statistics regarding workforce diversity. Imagine, a year later, your company is publicly sharing all its

financial data in detail: the salaries it pays employees, its profits, information on the destination of every euro it earns, etc. It even shares news on the products and services still under development! Now imagine, internally, this policy is taken even further, with all email correspondence among employees visible to any member of the company.

This scenario may seem shocking—although in some ways desirable—and may too often be considered futuristic. The truth is, this is a real company, and its name is Buffer<sup>37</sup>. Transparency is one of the most powerful strategies that can be deployed by companies<sup>38</sup>, political parties or institutions, allowing them to build support among those on whom their futures depend, whether this means a vote, shopping decision or recommendation. This is because transparency is one of the most direct paths to trust<sup>39</sup>, which is an essential and indispensable component for any company that wishes to stay in business.

This becomes crucially important when we consider companies' need for talent. It is key to attract talented professionals, get them to commit to your company and turn them into your best allies (in the best case scenario former employees will continue to speak highly of your company).

In order to better picture the scenario described above, let us consider the other side of the coin and engage in a brief memory exercise. Consider how, not too long ago, concepts such as internal communications, employer branding and transparency were defined and

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37 <https://buffer.com/transparency>

38 <https://www.forbes.com/sites/forbesagencycouncil/2018/04/16/why-you-should-be-radically-transparent-with-your-customers/#5b2ad1ee7aef>

39 <https://www.inc.com/adam-fridman/why-trust-and-transparency-are-crucial-to-purpose-.html>

interrelated. Internal communications was a private and protected space for sharing issues that were not to go beyond the confines of the company under any circumstances. Employer brand management often failed to consider a company's internal reality, resulting in a predictable discrepancy between what talented professionals expected to find and what they actually experienced once employed. To conclude, it should be noted that transparency was managed as any other individual element with an inherently distinctive reputational value. In other words: internal communications could not be shared outside the company, the value proposition to potential employees externally did not coincide with the companies' internal reality and, when used, transparency was only applied to inconsequential issues with no strategic importance. It might seem that, to a certain extent, the parties responsible for those circumstances were doing their absolute best to block their companies' progress. It was important to maintain a healthy distance between these worlds to avoid any kind of problem.

For better or worse, it is now impossible to continue facing these challenges the same way. The advent of globalization and digitalization changed how we deal with issues and how distinctions are made between what is necessary and what is contingent on decision-makers' opinions.

Today, talented professionals are not readily willing to accept the fact that companies reflect a multifaceted image with internal inconsistencies (in the best cases), or (in the worst) differences that are deliberately contradictory and irreconcilable.

One of the clearest examples of what skilled professionals' need to know about the place they are going to

work at is seen in the title of this text and its reference to a glass-door revolution<sup>40</sup>. Historically, companies have protected themselves in relation to aspects such as their culture, values, ways of doing things, innovation processes, etc. Today, however, the most prestigious organizations—and those most often targeted for employment by top professionals—use openness and transparency as one of their most powerful marketing tools. Google does not only sell "what it does." The aspirational aura of everything around it has more to do with "why does it do it?" "how does it do it?" and "who does it?" College students who consistently target this company for their career seem not to care if they end up working on Gmail or Maps. What truly fascinates them is the realization they could be part of a brilliant, non-conformist community working to shape the world's future<sup>41</sup>.

People are always talking about Google, but what does it take for other types of companies to walk the path that goes from "transparency as a necessary evil" to "transparency as one of the most valuable resources in our corporate DNA for attracting and retaining talent?"

There is no simple answer to this question, but here are three observations related to some of the best-known examples of transparent companies.

1. It is not a question of demonstrating transparency or acting transparently, but of being transparent. Transparency should not be viewed as a means of achieving something or a goal. It should simply be

40 <https://www.cbc.ca/news/business/employees-rate-their-employers-ceos-on-glassdoor-1.1314945>

41 <https://www.forbes.com/sites/forbescoachesouncil/2017/10/26/five-things-millennial-workers-want-more-than-a-fat-paycheck/#79d4a2b315a7>

part of a company's way of doing things despite the obvious benefits to be gained in different contexts, especially regarding talent, which is the case at hand. It seems that the best approach is to adopt new transparency practices gradually and highlight them afterward, rather than embrace transparency as an intangible concept and take concrete action after the fact.

2. Transparency is an indispensable tool for managing communications around two of the most critical aspects for attracting and retaining talent: integrity and diversity. Companies need not concern themselves with projecting an image of perfection. Obviously, nothing in this world is perfect and, accordingly, projecting such an image would only seem insincere. The general public will only see transparency as authentic if the company shares its pros and cons and demonstrates an ongoing desire to surpass its limits and improve itself.
3. Furthermore, there are considerable business benefits to be gained when transparency becomes an integral part of day-to-day life and is perceived as the way that the company works. Regarding this, it is worth looking at Buffer's values<sup>42</sup>, as they clearly reflect this idea. When transparency is rewarded rather than punished, innovation is more efficient, services are more closely focused on customers, corporate culture is better shared across teams and the workplace in general becomes more rewarding for everyone involved in the company. Transparency allows companies to be more successful throughout their range of activities.

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<sup>42</sup> <https://open.buffer.com/buffer-values/>

## Where should one start using transparency as a tool for attracting and retaining talent?

1. Walk the talk. It is important to start with small steps essential to your way of doing things. One of the most interesting ways to get started on the path to transparency (and attract talent) is to launch an employee-advocacy program, which consists of empowering a company's professionals, turning them into its best allies via social networks. Such initiatives are organized programs in which employees are given the capacity, tools and content they need to make this task as easy and accurate as possible. Making these professionals into the ones sharing information on what is happening in the company solves several employer branding problems, such as credibility (an employee always inspires more trust than a company) and authenticity (the demeanor of someone sharing their experience is more fresh and natural than the one a company might have). Internally, collaborative intelligence processes—in which companies rely on talent to engage in plural, open, sincere and constructive discussion on important topics—are another very interesting resource that underpins a company's transparency.
2. Embrace the situation and explore daring new approaches. For example, L'Oréal encouraged its employees to visit Glassdoor<sup>43</sup> (a well-known website where current and former employees can freely express their opinions about companies), and it was soon observed that most of the posts were from former employees—who do not usually have the most favorable opinions. Another interesting option

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43 <https://linkhumans.com/alexander-onish-loreal/>

is letting employees express their opinions on the company's most important talent-related assets. One way to do this involves the company's careers page, where you can make employees the narrators of the stories that appear there. Alternately, you could offer young talent visibility into the company via your LinkedIn profile. Instagram can even be used to share brief but memorable moments in a typical day, giving prospective talent a desire to work there.

Beginning to use transparent communications to attract and retain talent is a process that, on first impression, may seem daunting. It is therefore key to take this process step by step and remember that transparency is not a question of nakedness, but of voluntary and coherent integrity.



**FINANCIAL**

## **The integrated annual report, another step toward transparency in organizations**

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Integrated reports are "the best way to get a complete picture of the value of organizations, overcoming the limitations of traditional reports" (Eccles and Krzus, 2010; Jensen and Berg, 2012; Abeysekera, 2013).

One of the consequences of the MiFID II regulation which came into effect Jan. 3, 2018 is that contact between issuers and investors no longer has the direct mediation of the sell side. Therefore, the Integrated Report is an opportunity to provide sufficient information to the markets and ensure companies' equity stories are properly understood.

The Integrated Report must be developed according to the guidelines established by the International Integrated Reporting Council (IIRC) framework, which incorporates information about the context and strategy of the company. It must describe the risks and assess the performance of the group and its business model in the medium-run, not only from a financial perspective, but also in terms of relations with major stakeholder groups: clients, employees, shareholders, regulators, suppliers and society as a whole.

Today, 32 companies listed on the IBEX 35 develop an Integrated Report; however, few of them provide fully integrated information and carry out an exercise in transparency that considers the long-term vision of the company in question. The Integrated Report must be the master document for any listed entity, structuring its communications with all stakeholders. It must be the source for the company's equity story, which could be updated regularly for the financial community.

Let's shed a little more light on this Integrated Report trend. First, take a look at its promoting organization, the IIRC, which since its creation early 2011, provided the following definition: "Integrated Reporting is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation." The previous definition is rather confusing, but its second paragraph is more clear: "An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term."

The IIRC is a global coalition of regulators, investors, companies, standards' issuers, accounting professionals and non-governmental organizations. This entity prioritizes the communication of value creation as the next step in the corporate information development. The IIRC's mission is to set up an integrated system for presenting reports and thinking within the general business practice, as a norm in the public and private sectors.

The IIRC applies principles and concepts which focus on applying greater cohesion and efficiency to the process of report preparation and on adopting "integrated thinking" as a way of breaking up internal silos and reducing duplication and communication inefficiencies that have existed until just recently in the heart of many large organizations. It improves the quality of the information available to the providers of financial capital to allow a more efficient and productive assignment of capital. Its focus on value creation and the "capital" used by the company to create value over time contribute to a more stable world economy from a financial perspective.

The Framework was published after a wide range of consultations and tests carried out by companies and investors from regions all over the world, including 140 companies and investors from the 26 countries that participated in the IIRC Pilot Program. The Framework aims to establish the guiding principles and content elements, which govern the general content of an Integrated Report and explain its fundamental underlying concepts. In fact, since the publication of its first draft in 2011, and with the publication of the final version of the guide in December 2013, the framework for

Integrated Reports is already becoming a useful corporate reporting tool enabling companies to illustrate their capacity for creating sustainable value in the short, medium and long term. In the Spanish Market and based on the transposition of the Financial Reporting Directive - BOE RD 18/2017 from Nov. 24, 2017, this framework has increased its importance as one of the standards facilitating compliance with the Directive's requirements.

Globalization and interconnectivity inextricably links finances, people and knowledge around the world, as emphasized during the 2008 financial recession. In light of the crisis, better linking investment decisions; the desire to promote financial stability and sustainable development; corporate behavior and report submission have together become a worldwide need. Companies need the system to evolve to then inform, facilitate and communicate global trends without the complexity and inadequacy of current information requirements. At present, there are major information gaps in reports, and organizations like the World Bank and the International Monetary Fund (IMF) are asking for greater attention to aspects such as risk and future development.

Integrated reports have been created to improve accountability, management and trust, as well as to take advantage of the information flow and transparency of companies that technology has introduced to the modern world. Providing investors and other stakeholders with the information they need to make decisions regarding the assignment of more efficient resources will facilitate a better return on long-term investment.

In Spain, it is worth highlighting the successful role of the Spanish Association of Corporate Accounting

and Administration (AECA) since 2012 in promoting integrated information. March 8, 2018, marked the coming-into-force of the Transposition of the European Parliament and Council Directive on Non-Financial Information and Diversity, AECA organized a superb conference. It presented the most relevant aspects for affected companies and some solutions to draw up the new mandatory report, the Non-financial Information Statement, such as the "Integrated Table of CII-FESG Indicators and their XBRL classification" model.

The Institute of Accounting and Accounts' Auditing (ICAC), the National Securities' Market Commission (CNMV), PwC and the financial reporting director of BBVA shed light on the importance of making the necessary, painstaking reporting processes more efficient, breaking up silos and, in particular, providing more information transparency. Also, affording decision-making capacity to investors, shareholders and other stakeholders regarding what the companies are and what they aspire to be was emphasized.

Possibly the best way of understanding what an Integrated Report must include is by reading some of the examples found in Spain. According to the academic database of the IIRC, the best practices cited are those of Iberdrola, Ferrovial and Indra. Also, the IIRC recognizes the integrated annual reports of Inditex, Telefonica, Enagas, Abengoa, Melia, Prosegur, Acciona and Caixabank. In Spain, the Code of Commerce, Companies Law, the Royal Decree transposing the non-financial information directive and the specific recommendations of the CNMV seem to clearly support this IIRC approach.

Today, there are more than 1,600 organizations in 65 countries which draw up an integrated annual report

in line with the IIRC framework and which thereby communicate relevant corporate information in a transparent manner with the impacts on society, showcasing their value creation narrative in the medium- and long-term. The stakeholders can therefore be confident of the information and decision-making. In English, we talk about the company's "story" in terms of the present and the future, but if translated into Spanish ("*historia*"), it seems like we are talking about the past, when it is actually the opposite case.

Also, we should not disregard the solvency and the importance of the IIRC's advisory board members: Blackrock, APG, Hermes, the big four (Deloitte, PwC, KPMG and EY), GRI, CDP, IASB, IOSCO, WEF, Transparency International, United Nations, PRI and the World Bank are some of the most prominent.

The latest initiative, led by the FSB-Financial Stability Board; Taskforce on Climate-related Financial Disclosure (TCFD); former New York Mayor Michael Bloomberg; and Chairman of the FSB and Governor of the Bank of England Mark Carney, is highly relevant to this discussion. This initiative presents information on climate risks and environmental impact as dependent on corporate management, requiring clear, comparable indicators to illustrate the impact of companies' actions. It also provides visibility on how companies manage said impact, the effects on their financial stability and the stability of the economic system itself. The statements made by Bloomberg effectively summarize this notion: "Increasing transparency makes markets more efficient, and economies more stable and resilient." In fact, in September 2018, 13 Spanish companies publicly backed this initiative on climate risk management; it is

no coincidence that all of these aspects were mentioned previously in this article.

The Board of Directors of the company need to acknowledge its importance and guarantee its integrity. The days when sustainability reports were presented to the Board and not approved are over. Now, full responsibilities are required with regards to information involving environmental, social, ethical and governance themes. Furthermore, it must be done in an integrated manner with the other economic-financial, governance and management information.

Additionally, the Integrated Report must describe the company's strategy and how it generates value in the short, medium and long-term. In fact, there cannot be any out-of-place information, such as was the case before, just to comply with a particular standard or regulation. All the information must flow and be connected rationally in relation to value creation.

An Integrated Report must present the main interest groups, what issues concern them, how the organization deals with each issue and the implication of each issue for value creation over time. In reporting jargon, this is known as materiality. The information must be concise, reliable, consistent over time and comparable.

In 2010, Unilever's CEO Paul Polman started to reject the practice of quarterly earnings reports, something that influenced other companies. This relates closely to the growing trend of reporting everything affecting value creation in the medium- and long-term. June 2018, JPMorgan's CEO Jamie Dimon and Berkshire Hathaway's CEO Warren Buffet authored an article in the *Wall Street Journal* titled, "Short-Termism Is Harming the Economy." They followed this same argument in



their article. On the 30th anniversary of the world's largest asset manager (January 2018), Buffett sent a letter also along these lines to the CEOs of the companies in which it invested under the suggestive title "A Sense of Purpose."

There have been numerous initiatives in this regard and even the creation of thinktanks, like Focusing Capital on the Long Term (FCLT), which in its recent report, titled *Moving Beyond Quarterly Guidance*, asserted: "Since 2005, research has consistently found that the vast majority of corporate executives think that short-term pressure is growing, that it is changing their business decisions, and that those changes are destroying value. One effective way that corporations are combating this phenomenon is by moving away from quarterly earnings per share (EPS) guidance and instead providing investors with a long-term road map focused on the fundamental economic drivers of the business tied to management's outlook on critical key performance indicators (KPIs)."

We are convinced that, as the Integrated Reporting movement progresses, we will see less but better information from companies. And we also know the greater the precision, efficiency and coordination, the greater the difficulty in drafting it. It is not a matter of the Integrated Report being just another report (report integration)—quite the contrary. The annual accounts should be integrated with the management report (in Spain, respectfully known as the "hodge-podge" report), the corporate governance report and the sustainability report, all from the perspective of value creation in the short, medium and long term. It should not be a still photo published 6 months after closing

the financial year. It should be a living equity story for investors, not a compliance box-ticking exercise.

It is a report for all stakeholders, but clearly leaning toward the investor market. Less is more. Talk long-term, break up the silos and integrate the communication efforts of respective areas: Finance, Strategy, CEO office, Board Secretariats, Sustainability, Corporate Social Responsibility and Investor Relations. Times have changed; we are witnessing a fourth Industrial Revolution thanks to new technologies, and financial and nonfinancial information requirements are experiencing it too.

Integrated thinking involves integrated reporting, which entails integrated auditing and assurance, which should also include integrated standards. The integrated annual report is a result of all of the above and it seeks transparency, safeguards, value creation and future projection for all the stakeholder groups of an organization.

It is still very recent, but it makes sense and it is hard to find anyone in a position of responsibility who fails to see its strategic logic. Those with the job of coordinating this exercise in the financial accounting or investor relation areas of major companies are having a hard time with this still emergent trend which is nevertheless set to become the corporate reporting standard. Pure transparency in capital letters and thus pure eligibility.

# EPILOGUE

## **Transparency, an ally in the war on corruption**

### **Antonio Garrigues Walker**

Jurist, essayist, playwright, philanthropist, author and guest speaker. He is the honorary chairman of the Garrigues law firm and founder of the Spanish chapter of anticorruption organization, Transparency International

We have grown accustomed to reading news from all over the world about corruption cases involving institutions, businesses and governments. Transparency International's most recent *Corruption Perception Index*<sup>44</sup> shows that Uruguay (23), Chile (26), Costa Rica (38) and Spain (42) are among the 50 countries worldwide with the smallest perception of corruption. However, the scores of these countries remain very high and differ greatly from those of New Zealand, Denmark and Finland, which are at the top of the list of nations in which corruption does not appear to be present in politics, institutions or business. Latin American countries are a source of much greater concern, as their scores range from 86 (Argentina) to 135

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<sup>44</sup> <https://transparencia.org.es/indice-de-percepcion-de-la-corrupcion/>

(Mexico and Dominican Republic) out of the 180 countries studied. Corruption is a worldwide problem at this time—and perhaps since the beginning of time—and some governments have reacted by passing laws to eliminate this blight from their public and private realms. In this regard, the fact that Spain's score shows that it has fallen to 42nd place fails to reflect, in my opinion, the initiatives that the country has taken in recent years to fight corruption. Although there are still lingering echoes of the widespread corruption that emerged during a dark chapter of our recent history, things have improved greatly as a result of the effectiveness in the judicial system. Spain is among the countries that have tried and imprisoned the highest number of financial companies and business owners for corruption (Spain is second-ranked in this sense). Conviction by trial is one of the most effective tools to fight corruption and convince the world, especially the youth, that there is no place for corruption in society, and that in the end, the corrupt will be punished.

Corruption gravely hampers economic growth and is particularly detrimental to the most underprivileged social classes and economically challenged countries. According to the World Bank, corruption is a major obstacle for economic and societal progress. Although lawmakers, institutions and even public opinion seem to show a clear understanding of this concept, the facts suggest that, rather than disappearing, corruption is increasing in developed and emerging nations. Data obtained from the *Global Map and Country Results on Corruption*<sup>45</sup> released annually by Transparency International, graphically demonstrate the importance of the problem.

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45 <https://transparencia.org.es/indice-de-percepcion-de-la-corrupcion/>

How can institutions exemplify and promote a society in which there is no place for corruption? Clearly, embracing transparency is an effective means of achieving this. Although transparency does not abruptly eliminate corruption, it goes a long way towards controlling and limiting its growth. Therefore, maximum transparency is paramount in regard to the organization and functioning of all international and national institutions, autonomous communities, municipal governments, private and public businesses and associations, organizations that represent workers' rights and business interests and, in particular, media channels and political parties. Citizens must not only have the possibility, but the well-established right to access any data in relation to these entities, including remuneration and wages, sales and purchases of goods and services, significant transactions and, in general, any information that may be of public interest, with no limits other than those related to security or justified protection of privacy.

Although corruption will always exist to a certain extent, the magnitude of the problem at this time may be reduced substantially, even in the short term, through the taking of relatively simple measures. It would suffice to solve certain surmountable obstacles, to eliminate certain malign attitudes in the political arena and, in particular, to overcome resistance from certain social groups.

Nearly 10 years ago, *El País*<sup>46</sup> newspaper published a list of 10 guidelines that had been prepared by Manuel Villoria, Jesus Lizcano, Jesus Sanchez-Lambas (steering-committee members of Transparency International

<sup>46</sup> [https://elpais.com/diario/2009/11/11/opinion/1257894012\\_850215.html](https://elpais.com/diario/2009/11/11/opinion/1257894012_850215.html)

Spain) and the author of this text. Considering the foregoing, this may be a good time to revisit the published list. The following are the 10 guidelines we believe would significantly reduce administrative corruption:

1. Bolstering of preventive measures, such as risk analyses in all administrations to detect and anticipate hazards, rotation of civil servants operating in areas of risk, more thorough training in ethics, rigorous application of rules on conflicts of interest, etc.
2. Reinforcement of measures to promote equality and recognition of merit within administrations, as well as objective evaluation of the performance of our administrations and public-sector employees.
3. Improvement of transparency-related measures in administrations, as there are many opaque governments that do not operate openly before their citizens. Spain and nearly all other European nations are in urgent need of legislation on transparency and access to information.
4. Simplification of rules and procedures to allow citizens to easily and simply solve their problems with administrations. Many licenses and permits could be obtained online.
5. Adaptation of criminal codes to cover the new circumstances surrounding economic wrongdoing and corruption. New definitions of crimes are needed to better fight corruption. The judicial system should consider the criminal liability of legal entities; sentences and statutes of limitations should be lengthened, etc.
6. Fresh reform of laws on the financing of political parties to prevent donations of properties, remission of debt, etc. In particular, parties must be

required to act with greater transparency and submit information on their foundations and businesses to supervisory bodies, the role of the Court of Auditors must be made more relevant and wrongdoers should be punished with fines that amount to millions of euros.

7. Greater awareness on the importance of providing citizens with training and information on the devastating impact of corruption on nations. State-regulated education should include the study of corruption and its consequences, and civil society should be involved in the war on corruption (led by the press, ideally).
8. Improvement of official procedures for alerting authorities in cases of corruption, and protection of those who report such cases. Citizens who rightly alert authorities to such cases are not tattletales, but rather individuals who react out of loyalty toward institutions and society. Far from being scoundrels, they are heroes who deserve our praise.
9. Bolstering of measures that allow recovery of stolen money and that impede money-laundering activities.
10. Political parties must show that they are truly willing to fight corruption. To this end, it is necessary to create a nationwide alliance against corruption, including specific measures regarding its adoption to facilitate society's effective control of compliance of such an initiative.



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