

LLORENTE & CUENCA

C O N F I A N Z A



C O N F I A N Ç A

from communication to reputation

JOSÉ ANTONIO LLORENTE **presentation** 7

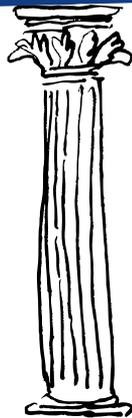
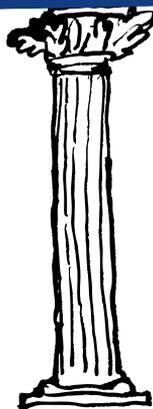
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PRESENTATION

This book is a line on the sand. Here, we have described the vision we have in **LLORENTE & CUENCA** on the changes in the pattern of business, and the profound transformation they will force in our profession as strategic consultants for companies in the areas of reputation management and influence in respect of regulators and communication.

A new paradigm of what the business model of companies and financial institutions is or ought to be broke through in the first decade of the **xxi** century.

This transformation was seen when the **xx**-century economic and financial business model, which was answerable exclusively for an economic and financial Profit & Loss (P & L) account, was not enough to explain the developments that have taken place in the world over the past thirty years: earning money and making a return for shareholders is no longer a sufficient, exclusive value to survive nowadays.

In recent decades, companies and financial institutions, thanks to the supervision exerted by citizens, ecological, union, non-governmental, consumer and human rights organisations, the media and the Regulator – in the latter case due to pressure from the former on the establishment of its priorities in the political agenda – over their activities, they have been increasingly obliged to consider the role they all play in defining their own business model.

As a result of that process of combined social pressure and activism, scrutiny by the media, changes in the regulatory framework of business and financial activities and a greater level of permeability and awareness of corporate leaders of these new social and political expectations imposed on companies and their practices, the former business model based on an economic and financial Profit & Loss (P & L) account is not sustainable in the long term.

Shareholders or investors and customers are no longer the only stakeholders to which a company has a responsibility. Over recent decades a large number of complex and varied new stakeholders have grown up around them and business and financial leaders and executives must not only take their opinions into account but also inform them and involve them directly in the formation of their vision, mission and strategy and their business practices, in a virtuous model of permanent dialogue.

This transformation is being made at breakneck speed in business and corporate circles because those new areas for which companies and their management teams are now responsible have been incorporated in the control of companies with the same criteria as any other management area regarding goal setting, resource allocation, planning, calendar, monitoring of progress and measuring of results.

This new paradigm is undoubtedly disrupting the traditional fundamentals of executive management. In the past, the mechanisms for generating value in a business were associated with operations, the global supply chain, distribution, marketing or the sale of goods or services. The management's responsibility was to perform all these tasks in such a way as to guarantee a healthy return for shareholders and investors in the short term.

But now it is an organisation's reputation that can attract and hold the interest and importance of a larger, more varied number of stakeholders in a company's value proposal and those stakeholders will base their decisions not only on the traditional concept of value for money.

Actually, those decisions now arise as a result of taking into consideration and solving a complex equation composed of factors which are also related with the medium and long-term sustainable project of a business; respect for the environment and contribution to its conservation; corporate governance, the business practices of the executives and respect for the generally assumed ethical principles; treatment of employees and the offer of satisfactory career projects, training and employability; and, finally, commitment to society, especially through cultural sponsorship and, above all, assistance for the underprivileged and, specifically, the sectors of population at risk of social exclusion.

This lever for generating value is currently the focus of attention of large enterprises, business schools, major consultancies and thought and research centres because they want to provide organisations, as in other areas of executive management, with mechanisms to quantify that value generated, measure its progress and set objectives measurable over time according to commonly accepted criteria.

In **LLORENTE & CUENCA** we are aware of this process of transformation and because of that we have decided to play an active role to accelerate that process, as strategic consultants for our clients, to whom we have a professional commitment: share our vision of things with them.

Moreover, we have undertaken the professional obligation to transform our own business model at the same time, to offer our clients solutions and metrics that will help them to obtain tangible outcomes for their business and keep their long yearned reputation. To fulfil this mission, we can only see one way: innovation and generation and exchange of knowledge.

We have set high standards for the sights of our professional responsibility and ambition, since we want to share and discuss our Vision with you. We want to hear your opinions on it to help us to improve it, because we do not think we are always right.

This is an invitation to dialogue in a world that is changing rapidly and it is our modest contribution to the necessary debate on the present situation in the business world and our profession.

JOSÉ ANTONIO LLORENTE

We also view internationalisation
as a natural prerequisite
for all companies
that wish to compete in the 21st century.

Vision



vision

12 All organisations face the challenge of securing the trust of their interest groups¹, so that their business model can develop atop foundations that are sustainable in the long term.

Communication forms part of that challenge and its mission is a new one: to help organisations manage their influence from the standpoint of integrity and responsibility. Put another way, communication seeks to build relations with stakeholders founded on mutual commitment and to facilitate the decision-making process, taking account of stakeholders' opinions and addressing the consequences of implementing each decision.

To achieve that goal, at [LLORENTE & CUENCA](#) we work to connect organisations, financial institutions and countries with networks, which make up and form the backbone of society and the global market of today.

We offer consultancy solutions that help to build, protect, improve and maximise the reputation of organisations from two angles: first, we guarantee excellence in their management and communication practices; and second, we deliver tangible results that align our clients' strategies with the interests and expectations of their stakeholders.

We are entrepreneurs and we are always open to exploring win-win opportunities with third parties. We are committed to innovation as the engine for change and for continuous improvement, therefore we are constantly implementing new and varied solutions of relevance for the market and for clients alike. We also view internationalisation as a natural prerequisite for all companies that wish to compete in the 21st century. This is our only possible roadmap for the journey towards excellence.

¹ A *stakeholder or interest group* is a group or individual who can influence or be influenced by the achievement of an organisation's goals. The former includes clients, suppliers, shareholders, citizens and employees. The latter, in other words, those capable of influencing a company's relationship with the primary group, includes the media, the government, competitors and civil society.

communication challenges

integrity
responsibility

ethics

commitment

Credibility

credibility

«The Great Recession» was a financial crisis that hit the United States as a result of over-deregulation in the financial sector and confusion between commercial and investment banking. Years later, in Europe, this crisis became a crisis of sovereign debt: a massive economic crisis that is unleashing, in turn, a social crisis.

A succinct overview of what has happened in the most developed countries in the West since 2008 leads to the conclusion that there are two types of crisis: a crisis of trust or a **crisis of credibility between citizens and organisations**; and a **crisis of leadership** within organisations.

Trust has therefore become one of the most highly prized values, on account of it being both essential and scarce at the same time:

- Essential, because now, more than ever before, clients, suppliers, investors, employees, citizens and other players want to feel sure that the organisations and/or countries where they buy and sell, invest or work, with which they share a community, or where they go on holiday or decide to open a business, meet their expectations.
- Moreover, interest groups need these organisations to act responsibly when handling the expectations of those who make the viability of such organisations possible and to fulfil the commitments they take on, implicitly and explicitly.

- Scarce, because the value of trust grows at the same rate as the scepticism of interest groups towards promises made by organisations. Those organisations suffer from a credibility deficit caused by the disconnect between their advertising messages and their behaviour in public.

For all organisations, trust is the competitive battleground of the 21st century: recovering or strengthening trust is a priority. To that end, they have to develop and sustain a value creation model shared with stakeholders in the long term, and align their interests with those of stakeholders.² Trust is hard to replicate. However, once it has been gained and has taken root in the mindset of stakeholders, it is not lost with the departure of employees or executives.

In short, the challenge lies in restoring, protecting and maximising the reputation of organisations: their most valuable asset. If this is not done, organisations risk being questioned about the sustainability of their business model and also risk losing their *social licence* to operate in the market and with regard to countries, to be respected in the competitive ranking of nations.

Building, creating and protecting trust transforms the priorities of the present: organisations must stop talking and start acting. Actions, not words, will restore equilibrium to the balance of trust.

THE TIME FOR TALKING IS BEHIND US. THE TIME HAS COME FOR ACTION

THE TIME FOR AESTHETICS IS BEHIND US. THE TIME HAS COME FOR ETHICS

COMMUNICATION CHALLENGES

As communication professionals, we are faced with the challenge of helping our clients gain the trust of their interest groups, just when it is most needed for their future.

This has always been part of our mission: to advise clients on how to accomplish their goals, interpreting the expectations and interests of public opinion for them.

In doing so, we have to comprehend the competitive climate and context in which our clients operate and understand their stakeholders, in order to provide them with assistance on two fronts: to meet the interests and expectations of their interest groups; and to help them be upstanding and responsible figures and grow in the market for trust, by applying the following formula:

$$\text{TRUST} = \text{INTEGRITY} + \text{RESPONSIBILITY}$$

INTEGRITY

A company, a financial institution or even a country has integrity when it does not lack any of its constituent parts and when it conducts itself honestly, with rectitude and probity.

Through our professional activities, we can help these institutions enhance their integrity and, consequently, be more deserving of the trust of their interest groups in the following ways:

- By working with them to establish excellent relations with all of their interest groups.
- By ensuring that they take account of the views of those groups in their decision-making and act responsibly.

COMMITMENT

All institutions have different interest groups that make it possible to have a sustainable and socially acceptable business model. Those interest groups are not exclusively made up of employees and clients but also public authorities, journalists, professionals and citizens also play an active role in the construction and success of the business or country model in the market or on the world stage.

Our work involves assisting institutions so that they can have contact with all of their stakeholders and engage with them as much as possible.

From communication to interaction

We fulfil our role when we use our different areas of knowledge and implement the practices of our profession to support organisations as they progress through the various levels of relationship with their respective interest groups: from just listening, consulting and informing right through to participating, cooperating and mutual delegation.

We conceptualise projects, causes or the values of companies and we align them with the interests of those who enable their implementation.

This is the backdrop against which we have to deploy all of the interaction and communication resources at our disposal: the media, face-to-face events, written publications, multimedia formats, etc., and, in particular, the potential of internet-based social media and networks.

ETHICS

We view organisations as corporate citizens, in other words, as a person who is expected to conduct himself correctly, fairly, honestly and not, in contrast, as a rogue³ organisation or nation.

We do not judge. We advise our clients on how their interest groups will judge them and we recommend the best course of action in each case.

We fulfil an ethical role when we put the old adage of our profession into practice: «*do what you say and say what you do*». We also fulfil an ethical role when we succeed in having executives and political leaders take account of, before, and take responsibility for, after, the effects of their decisions on all of the stakeholders of the company, financial institution or country in question.

From public opinion to reputation

We have to continually develop and improve our techniques for analysing the competitive environment, the statements and expressions of interest groups,

public opinion and reputation by taking advantage of the huge information resources offered by the internet.

We accomplish our mission if we succeed in having interest groups follow the example or model of the institutions we work with, based on what they do, what they are and what people say about them.

RESPONSIBILITY

The trust of interest groups is not gained simply by having integrity; it is also necessary to be accountable, to answer for one's own acts and to take responsibility.

To that end, we help institutions on the one hand to tackle the challenges posed by transparency, especially when their flaws are under the spotlight, and on the other hand in a natural way, as part and parcel of their operations, to convert communication into an asset generator for the sustainability of their business.

In the current competitive climate, characterised by the lightening pace of IT and communication advancement, executives or leaders who fail to appreciate that transparency today is more visible than ever run the risk of dragging the organisation they head up into a crisis.

There are no secrets any more at open companies, or there are very few secrets that can be shielded from scrutiny by the media, public opinion, citizens, interest groups, the courts or regulators. Sooner or later, it all comes out.

To engage in conduct or adopt decisions which are incapable of withstanding the test of a negative front page from the *Financial Times*, *The New York Times* or *El País*, of a tweet, of a post from a blogger with thousands of followers and readers, of a parliamentary question or of a judicial investigation, is to open *the gateways to hell* for a company, financial institution or even a country.

IF IN DOUBT, MISS IT OUT

Results for influence

In this context, our aim, *vis-à-vis* executives of organisations and country leaders, is to incorporate value and intangible assets into management indicators so as to measure their influence on social, employment and environmental matters, above and beyond merely financial matters.

Specifically, we achieve our goal when we help our clients to put reputation at the heart of their business model – given its status as executive leverage for the creation of value in the 21st century – and, depending on the circumstances and the extent of adaptation of that business model, to restore, protect and maximise their reputation.

INTERNATIONALISATION
innovation

entrepreneurship

Networks



networks

The world is based on relationships, where the strategies of institutions are seemingly affected by events and players far removed from their normal areas of action.

24 In this world, barely *six degrees of separation*⁴ can unexpectedly confront or reconcile interests between companies and their stakeholders, easily crossing the borders of space and time.

With that in mind, a tiny event in Indonesia, blowing through spatial barriers, can shake up investors in Wall Street. Similarly, breaking through temporal limits, the digital footprint of a past dispute may ward off, in the present, consumers looking for references on a company or individual on the internet.

We have to understand the ins and outs of this new reality in order to be able to guide organisations through the intricate labyrinth of connections and help their executives develop the best relations possible for the sustainability of their companies. Managing oneself in this network society⁵ and coping with uncertainties calls for specific business skills: a combination of the necessary resources and abilities in order to gain the trust of each organisation's interest groups.

At **LLORENTE & CUENCA**, we have some of those skills at our fingertips, skills that, at the same time, are tantamount to value commitments shared with our clients, employees, assistants and other players.

Those values are as intrinsic to the nature of any organisation as the three fundamental characteristics of our DNA: internationalisation, innovation and entrepreneurship.

INTERNATIONALISATION

At present, the only way for companies to develop over time is to venture across the geographical borders of their country of origin.

In order to become economically and socially sustainable, they need to join global networks to connect with their interest groups, thereby developing mechanisms for cooperation with other organisations and deploying their skills in other countries.

We must accompany our clients and their organisations on this journey. Their executives have to take on board the expectations of their interlocutors in each country, understand their relations with stakeholders and learn how to interact with them most effectively: resources and messages. Our job is to open up these channels of understanding.

Operations networks and alliances

Internationalisation is a skill at the very heart of our being. Since our professional services firm came into being, our goal at **LLORENTE & CUENCA** has been to establish an international network of professionals with a clear Latin American dimension, a network capable of assisting clients develop their own network of contacts in the media, institutions and organisations of the respective countries where they are expanding or wish to operate.

To that end, we have opened our own offices in Argentina, Brazil, Colombia, China, Ecuador, Spain, Mexico, Panama, Peru, Portugal and the Dominican Republic, and have entered into agreements with affiliated companies in the United States, Chile, Bolivia, Uruguay and Venezuela.

We are also members of the global network AMO, a financial communications leader with a presence in the main worldwide capital markets.

INNOVATION

Nowadays, it is impossible for companies to be sustainable if they are founded on supposedly immutable value propositions. The expectations of interest groups are as changeable as they are fast moving, with news travelling through social networks and media.

In order to maintain one's position in the market with a social licence to operate, companies and financial institutions must be willing to create new propositions or to improve old ones by taking account of the changing needs of their clients, whilst interpreting the perceptions of other interest groups whose opinions might have a serious impact on the success of each innovation in the market.

We participate in our clients' changeovers, whether they relate to processes, structures or products. We bring a three-fold multi-stakeholder perspective to the decision-making table: social, political and economic.

We also identify the risks and opportunities inherent in this network society, where single-dimensional mono-stakeholder views are not always the best bet.

d+i LLORENTE & CUENCA

INNOVATION IS PART OF OUR MAKEUP

Since time immemorial, we have been at the forefront of new communication concepts and tools at the service of companies. A clear example of this is our rethinking of professional practices as the key to the services we offer based on the specialisation of our executives by groups and areas of interest for our clients.

Our commitment to innovation is illustrated by our shared knowledge network: **d+i LLORENTE & CUENCA**, the Centre for Ideas, Analysis and Trends, where we share our experience and research with professionals from around the world and offer solutions that help companies interpret the expectations of stakeholders in different contexts (political, financial, social, Latin American, internet, etc.).

ENTREPRENEURSHIP

In a world as complex as our own, financial institutions cannot operate in the long term without facing risks, without taking steps the future of which is uncertain, promising as well as exciting, risking losses and profits across a range of areas, mostly unknown.

This is exactly why organisations cannot progress alone. Increasingly, they will rely on the involvement of others to overcome difficulties, operating through relationships based on mutual commitment with multiple organisations that, at times, will be competitors and, at times, partners.

We must be a part of this process, from the perspective of risk management (especially risks deriving from threats to the reputation of organisations) as well as the creation of opportunities for cooperation, promoting interaction between our company and players on the most suitable stages.

Network of entrepreneurs

Since our inception and at every milestone marking our international expansion, we have retained our entrepreneurial spirit. This was a daring move, built on agreements of reciprocity with our clients and co-workers. However – and above all – it is part of the culture of a company that promotes the entrepreneurial initiative of each and every one of its consultants.

We seek to stimulate the ability to develop advanced solutions across all of our practices and areas of knowledge or to pursue a professional career in other markets as part of the journey from assistant to partner at the company. Always contributing to others and working as part of a team.

4 Watts.

5 Castells.

results

Consul
tancy

excellence

consultancy

30 We are consultants, that is, we offer our opinions and provide advice on our areas of expertise: the **reputation** of organisations and their leaders.

Our business is **trust**. We exist because our clients trust us: we advise them and we work so that they gain and maintain the trust of their interest groups. To that end, we are committed to helping them be standard-bearers of excellence. We want our clients to become an example or positive reference for their social, political and economic surroundings.

It is only through our standards of excellence that we can reflect the excellence of our clients and accomplish the goals we set. Accordingly, we look to exceed the expectations of our interest groups with work processes aimed at obtaining **tangible results for businesses and the reputation of our clients** and with a permanent commitment to continuous improvement.

REPUTATION

As communication consultants, we work on two levels in parallel: firstly, to ensure that what our clients do is communicated properly and comes to be what

their stakeholders think of them; and secondly, to ensure that stakeholders' perceptions of our clients correspond to reality.

In short, our work has strategic value because we make sure that what our clients do, what they say and what people think about them reflects what they have been until now and, above all, helps to build **what they want to be tomorrow**.

Ensuring such coherency between identity and vision, memory and promises, past and future, is precisely what gives reputation its intangible value and what makes it increasingly important for companies.

Professor Charles Fombrun describes it as follows when defining the concept of reputation in *Reputation. Realizing value from the corporate image*: «Reputation is a perceptual representation of a company's past actions and future prospects that describes the firms overall appeal to all of its key constituents when compared with leading rivals.»

We believe that only companies which link their realities to the expectations of their interest groups will ultimately gain their trust: by being faithful to their *raison d'être*, true to their way of doing business and transparent in the way they communicate.⁶

Practices and areas of knowledge

Our different practices and areas of knowledge enable us to offer clients the following:

- 1 An insight into the expectations of the different interest groups they have contact with (public authorities, journalists, social leaders, experts, etc.) in order to help them take the most appropriate decisions or positions.
- 2 Experience with the most suitable people and resources (in networks and the media) to ensure that their realities and arguments reach those interest groups.
- 3 Methods and procedures for evaluating the perceptions of stakeholders in order to ensure that they are in line with the company's strategic objectives.

EXCELLENCE

As reputation consultants, we know that we cannot help our clients if we confine ourselves to recommending how specific realities should be communicated. From time to time, we have to give them our opinion on how to develop and address that reality if we are to ensure that the perceptions of interest groups favour their strategic objectives: from messages to facts and *vice versa*.

In this connection, our clients can rely on our consultancy services in their journey towards excellence: to maintain outstanding results which meet or exceed the expectations of all their interest groups.⁷

Using the vision, mission, values and strategic plans of the company as a starting point, we can help them to make the company's people their main agents of reputation, to develop alliances with their socio-political environment which result in mutual benefits, and to steer processes and solutions which maximise the value shared with their main stakeholders.

Strategies, persons, alliances and processes are catalysts for excellence, but there is one more element – leadership – where we feel that our work is even more useful for our clients.

The maxim «*do the right thing*» applies to the entire organisation, but also calls to account those with people management functions at all levels. This ethical leadership is passed on through everyday behaviour, especially when the company is confronted with critical situations.

Trust in companies is gained or lost depending on whether they succeed or fail in their handling of scenarios involving a risk or a crisis of reputation. This is when our counsel really represents added value for our clients and when we gladly assume responsibility for advising them on their decision-making.

Codes and procedures

In order to assist our clients in their journey towards excellence, we have to work to achieve excellence within our own organisation. At [LLORENTE & CUENCA](#),

expression is given to that commitment through our 100% quality procedures and through the rules of our Code of Conduct, which all of the firm's consultants assume as their own from their very first day of work.

RESULTS

As consultancy professionals, we believe that our advice is only valuable for our clients if it delivers effective and measurable results for companies, results that help them meet the expectations and needs of their clients, their people and the society in which they operate.

Results, in this sense, are those that assist in achieving the economic and financial goals, ethical governance and leadership, environmental protection goals, goals related to motivating internal talent and goals for contributing to society. These goals, as a whole, and in a coordinated and balanced manner, enable the construction of a shared value creation business model that is sustainable in the long term.

In short, the five-fold accountability that interest groups demand from all companies – economic, governance, environmental, people and social accountability – also affects consultancy professionals operating in the area of reputation management.

Indicators and commitments

In line with this approach, at **LLORENTE & CUENCA** we work day in, day out, to develop the best performance indicators and evaluation metrics allowing our clients to scrutinise the results of our work.

Similarly, we are continuously developing cooperation mechanisms which closely link us to the scope of results, from the spectrum of services offered to the fine-tuning of action plans.

6 Fombrum.

7 Concept of Excellence according to the EFQM Model.

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