



SPECIAL REPORT

Reputation Management and food alerts

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d+i LLORENTE & CUENCA

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INTRODUCTION: THE ECONOMIC IMPORTANCE OF REPUTATION

In these times of hardship in the Spanish economy, many of us probably think that it is no time to be thinking about corporate Reputation. And considering the basis and hypothesis of the (supposed) acquired value of intangibles in companies' financial and economic capacity, this argument is understandable. Yet in the current times, marked by the declining confidence and credibility of companies and their leaders, the idea has formed and is gaining strength that Reputation is not an accessory issue but, on the contrary, something intrinsic in the company's core business and vital in times of economic difficulties.

We are faced with a new macroeconomic and social scenario, which is causing significant, far-reaching changes in companies' management models and their relations with stakeholders. Each according to their size and position, companies face the challenge of dealing with a severe financial crisis, but also a crisis of confidence and values.

The adverse economic effect, the lack of leadership, the need to increase levels of transparency and, above all, the lack of confidence has converted analysis, identification and connection with stakeholders into the cornerstone of the Reputation management model.

There are very few today who uphold the theory that a company is only responsible for making an economic profit. On the contrary, investigations have produced convincing evidence that companies should seek to achieve gains in **five different Profit & Loss (P&L) accounts: economic, governance, environment, people and social.**

If we examine each of these, we find that each one is backed by a group of stakeholders: from shareholders to customers, including persons, suppliers and citizens; and each of them requires the development of different conducts, attitudes, commitments and value proposals.

In short, a company with a good Reputation has a much better chance in an adverse economic cycle of creating value, establishing better conditions with its suppliers, attracting capital and talent and generating greater customer loyalty. In the long term it is a more profitable company with a growing number of fans and very few critics.

The Spanish food sector is not, and should not be, oblivious to these ideas even though it is currently in good health and spearheads the Spanish economy. According to the Spanish Federation of Food and Beverage Industries (FIAB), in 2010 the sector accounted for 7.6% of the Spanish GDP with a turnover of €81,369 million, the third sector with a positive balance of exports and imports only after tourism and the motor vehicle sector.

This makes the food sector, traditionally one of the strongest sectors in Spain, one of the basic pillars for economic recovery. It has an outstanding, widely recognised exterior projection, which largely favours, or could favour, moreover, the upswing of the Spain Reputation.

Both individually and as a whole, the companies in this sector are well considered in Spain and overseas.

A good Reputation not only enhances the economic and business yield in normal circumstances, but is also a valuable shield in adverse situations. Its importance within the sector, for example, was demonstrated in the case of the Spanish cucumbers and E. coli bacteria crisis in 2011.

The unfounded accusations originated in Germany would probably not have been the same or may not even have existed, had been hurled against French products. But at that time (and at the present), Spain's Reputation was not exactly the most adequate or most desirable and, therefore, it did not shield the sector when the crisis broke out.

However, the good Reputation of the companies in the food sector has kept them going, maintaining a good pace and health, thanks to their good performance in each of the five P&L accounts mentioned above. Even so, they still have a long way to go.

2. THE VIRTUOUS MODEL OF REPUTATION MANAGEMENT OR HOW TO SAIL THE SEA OF EXPRESSIONS

The economic importance of one's Reputation is clear, therefore, but what is the current general state of the food sector Reputation and how can it be improved?

Numerous companies in the food sector have experienced situations in the past that have jeopardised their business. However, those with a sounder Reputation, with greater support among customers and regulatory authorities and portraying a stronger image of responsible companies have stood their ground much better.

This is the case of Nestlé. In 2010, Greenpeace launched a viral campaign in which it related Nestlé with the destruction of the Indonesian rainforests to enlarge plantations, driving out local communities and destroying the orangutan's natural habitat. Although admitting the facts, Nestlé's reaction from the first day was to request YouTube to withdraw the English version of the video. But Nestlé's attempt to silence Greenpeace by forcing YouTube to remove the video had a boomerang effect, since hundreds of thousands of internet users watched the video to find out more about the Greenpeace accusation. Its Reputation was

exposed to the different communities.

As if this were not enough, Greenpeace published a report, "The footprint of crime", in which it revealed the process of destroying rainforests in Indonesia to obtain more palm oil. The purpose of the report was to show that the company obtains oil from suppliers such as Sinar Mas, the largest palm oil producer in Indonesia. Greenpeace argued that Sinar Mas was expanding its plantations after cutting down the rainforests and burning and draining the peatlands, which caused serious social problems, accelerated climate change and destroyed the habitat of endangered species such as the orangutan.

Greenpeace, also stormed the Nestlé Annual General Meeting and supported each of the actions of its activist campaign with slogans such as: *"every time we have a Kit Kat, we are taking a bite out of the Indonesian rainforests"* or *"Nestlé should give orangutans a break and stop using palm oil from suppliers that destroy their habitat, so we also ask consumers to encourage the company to change its procurements policy"*.

Hundreds of *bloggers* from different parts of the world and fans and critics of Nestlé and Greenpeace in the social networks

"Every time we have a Kit Kat, we are taking a bite out of the Indonesian rainforests"; Greenpeace said

“The Reputation (of the sector and its companies) stems from the state of relations with stakeholders”

helped to fuel and question Nestlé’s actions in the region forcing the company to cancel several contracts with local suppliers.

Ikea was also reported by Greenpeace for the same reasons, for the oil it uses in its candles, and in 2008 Greenpeace launched a campaign against Dove cosmetics.

Another case that comes to mind is that of Coca-Cola, but in this case Greenpeace was not behind the campaign, but the Belgian minister of health who, without consulting Coca-Cola, announced that the products of the US Company were being taken off the market after finding dozens of cases of poisoning in children.

Since the minister gave no details and made no qualifications in his statements, the announcement affected all the varieties of the brand (Coca-Cola, Sherry Coke, Coca-Cola Light, Fanta, Sprite, Sprite Light, Nestea Splash, Nestea, Aquarius, Bon Aqua), causing panic and uncertainty in several countries.

Coca-Cola was forced to admit that the problem had been caused by excessive CO₂ in the bottles from the Antwerp factory (northern Belgium) and the presence of fungicides in the pallets used to transport the cans of Coca-Cola manufactured at the Dunkerque plant (France).

Apart from having to convince the authorities and consumers that its products were safe, indicating the source of the raw materials used and the location of its production plants, Coca-Cola had to withdraw all its products from the affected area (Benelux, Belgium, Netherlands and Luxembourg) after finding that the authorities in those countries were recommending people not to consume them.

After seeing its call centers collapsed and a loss of several hundred million euros, Coca-Cola saw its Reputation take on a far from happy shade.

These cases show us that the Reputation of the sector and its companies stems from the state of relations with stakeholders and their direct experience with the company and its employees; and their subsequent opinion of its business activities and value proposal in different dimensions. Deep down, this opinion influences and generates indirect experience in other stakeholders. And nowadays, with the catalyst effect of the modern technologies and social networks, that opinion knows no bounds.

In this context, the importance and “moral” authority of the person expressing his opinion are critical elements. And a good understanding, management and efficient use of new technologies

are essential for spreading favourable opinions.

In short, Reputation is the outcome of the perception and opinion held by stakeholders of the commitments that a company has defined in different dimensions, publicly or otherwise, directly or indirectly.

In turn, this is the result of how a company interacts with its critical interlocutors, i.e. how a company has chosen to put across and position the qualities with it has decided to compete.

This has even greater weight in the food sector, in view of its strong connection with public health, which generates a special sensitivity in all players (regulators, consumers, producers, etc.) participating in it.

But who are the stakeholders and why must the company nurture its relations with them?

Stakeholders are any community or interlocutor with moral authority and importance, in the dimensions in which a company (or person, institution, etc.) competes or wishes to compete, that is willing to invest resources (financial or otherwise) in that company's business plan. In other words, they are individuals or organizations that are sufficiently important to be "listened to" and "valued" by the environment, who are willing to act or speak

positively or negatively about a given company.

Making a brief analysis, companies in the food sector have numerous stakeholders, which we can classify into two groups. On the one hand, there are the traditional stakeholders: customers, individuals, suppliers, partners, society and shareholders or investors (the capital); and on the other, the so-called critical stakeholders, who have acquired moral "authority" over recent years, personified as pure activists, whose influence and decisions can produce a considerable effect on the smooth running of companies. This group includes: government, third sector, media, *bloggers*, scientific and academic community and the *alumni* community of companies and universities.

The major challenge facing organizations in this regard is, on the one hand, to accept that they have lost "moral" authority and credibility in their environment while other players, in both the digital and analogue worlds, have increased their shares; and on the other, to understand that they must win the confidence of their stakeholders and that the latter do not include only investors and shareholders.

They must, therefore, define the necessary tools and processes to build mechanisms of commitment to stakeholders, which are the basis of sustainable development

“Companies in the food sector have numerous stakeholders”

and the levers used by companies to achieve their financial, social, labour, environmental and ethical goals, among others.

In the present context, there are five reasons for believing that an intelligent handling of relations with stakeholders can give organizations a competitive edge: enable a **better management of risk and Reputation**; permit companies and organizations to **improve their processes** through the **transfer of knowledge** and the learning of new practices (not everything we do is best); create the **channels to meet goals** that companies and organizations could not accomplish on their own; substantially increase the **ratios of credibility and confidence** and, therefore, the respect and admiration for the brands or business of the company; and, in general, lead to **fairer, more sustainable social development**.

There are two sides to the first step in defining the Reputation management model: one theoretical-strategic and the other more ideological-cultural. The first is linked to the **analysis of the environment and expressions, opinions and perceptions**, which enables companies and/or organizations to find out how confident stakeholders are in regards to a given company and bring the communication strategy in line with the business strategy. The ultimate aim of this stage is to make decisions on the dimensions of Reputation in which the organization wants or has to compete and the attributes (differential, naturally) with which it wants to do so.

This is very important since it enables us to answer to the following questions: who must I conduct relations with, why and what for? That is where the organizations strategy lies.

The second aspect, the ideological-cultural, is concerned with the definition and clear understanding of the company's mission.

There are three ways to address this matter, but the one that best suits the present times and current demands of the sector is the one that indicates, as we mentioned earlier, that "profit" is but one of the company's goals, along with others: providing a



“We must overcome the natural tendency to consider profit as something clearly economic”

service for people, fostering professional furtherance, protecting the environment, etc. Based on this concept, the mission (or purpose) of the company is explained by its contribution and service to the needs of its different stakeholders. It is, therefore, the basis of the new relationship model for companies. However, in order to understand the company’s mission as above, we must overcome the natural tendency to consider profit as something clearly and exclusively of economic nature.

The definition is also used for storytelling. Storytelling builds up the history of the company, highlights its qualities and the differences with its rivals.

After defining the strategy, **the next step is to identify the stakeholders** (the present ones, which are kept, and the new ones, depending on the decisions made) and classify them according to three criteria of power: relevance, attitude and authority; to subsequently qualify the “state” of the relationship and thus prioritize and identify the organization systems required for effective relationships with each of them.

Behind this, the process of relations with stakeholders, or the Relations and Connection Plan, must be designed. This refers to the programmes, tactics and assets that respond individually to

the needs, attributes and strategic issues identified in the first two phases, the ultimate aim of which is to gain credibility/respect/admiration in the surrounding environment and increase the ratios of confidence among stakeholders by implementing shared value activities.

Stakeholder management is extremely complex since, as a rule, the different stakeholders have opposing interests and expectations. This is why it is important to define and clearly inform on the mission and the business gain, which is where the different interests come together.

The circle is completed with a definition of the indicators and tools forming the balanced scorecard available to companies and organizations to assess the impact and progress of the Relationship Plan.

We suggest that the balanced scorecard - or monitoring system - be enriched with diachronic and synchronic elements so that the everyday situation can be assessed, taking this to mean the progress and impact of our actions and how they affect the attitude, confidence, commitment and satisfaction of our principal and critical stakeholders.

It will also be necessary - in the medium term - to analyze and assess the impact of the decisions

“The government will be forced to take sides in any food crisis”

adopted at the initial phase and whether the strategy has enabled the company or organization to make positive progress in respect of opinions and perceptions.

The foregoing, overall, gives companies and organizations an opportunity to play a more important role, but above all to listen and participate in order to generate a greater economic, environmental and social impact.

As a result of the foregoing, we can see that the value of a company is not always determined by its financial performance, as expressed by certain rankings used in the business world, where, for example, the companies with the highest values on the stock exchange are often not the ones with the largest turnover.

They are, nevertheless, among those most admired by users or customers or, for example, those most sought after as a place to

work. This observation corresponds to the studies that show that the “soft attributes” (or dimensions), those not related with the purely business or economic activity, have a greater overall weight in the valuation of a company than the “hard attributes” or linked, directly, with economic results.

3. THE MANAGEMENT OF INFLUENCE ON A POLITICAL LEVEL

One of the objectives of public authorities is to protect consumers and users. The Constitutions of different countries contemplate this duty of active observance in one way or another. The food sector is one of the most sensitive sectors for the authorities. Its products are consumed by the entire population and whenever a problem arises, the consequences can be more serious than those encountered in other sectors.

For these reasons, the government will be forced to take sides in any food crisis, make regular statements and adopt decisions. In many cases, political activity will be disrupted by the reality of the crisis.

In 2011, during the outbreak of E.coli in Germany, the health authorities of the European Union and its member states often had to make rapid decisions based on false premises that had very

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Wal-Mart★
Chevron
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Apple★
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Petrochina
ICBC
Wal-Mart ★
Microsoft
HSBC
China Bank
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BCG
SAS Institute
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FedEx
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Starbucks
P&G
Southwest

Source: Fortune

“The greater our responsibility in the cause of the problem, the more proactive and transparent we should be”

serious consequences for certain agricultural products from Spain. In fact, this crisis is still remembered as ‘the cucumber crisis’, even though in the end the Spanish cucumbers were not responsible for the outbreak.

The pressing need to calm down the population, uncertain as to what food product could be responsible, led to precipitated replies, decisions and political statements. As new cases of E. coli patients appeared, measures were taken against Spanish vegetables (not just cucumber) in Germany, Sweden, Denmark, Finland, the Czech Republic, Belgium, Austria, Russia and the United States.

On 31 May, four days after her initial declarations, the Hamburg senator Cornelia Prüfer-Stocks declared that the Spanish cucumbers were not the source of the outbreak, although they did contain E. coli. This did nothing to dispel doubts. The next day, the European Commission lifted the health alert.

From the open communication channel...

Since food is a strictly regulated area, politicians’ Reputations are also at risk in a crisis. This should be borne in mind in all communications with the government.

As mentioned earlier, the authorities always play an extremely important role in any food crisis. Decisions will be made based on the current knowledge of the problem and a calculation of the risks entailed. One must be aware of whether a company is responsible for the situation or just a mere player in the affected sectors.

What information do the authorities receive on what is happening? The sources of information vary widely, but what is essential is that those affected have a significant bearing on the opinion formed by the government.

For this purpose, the communication channel must be permanently open, allowing information to flow freely and transparently. Experience shows that it is not usually a good idea to conceal information. That information will eventually come out and concealing it could break the trust created with the government. Therefore, the greater the responsibility in the cause of the problem, the more proactive and transparent a company should be.

Nevertheless, companies do not only have to give information, but also know who they are giving it to. It is possible and recommendable as we shall see below that a company may have prior contacts with members of

the government. Those contacts are usually on a technical level, but when there is a crisis with public repercussion, the profile of those contacts must be raised. This does not mean that the usual contact with technicians must be ignored, but that company must extend its contacts to encompass those who are going to act directly in respect of the crisis: ministers, secretaries of state, secretaries general, presidents of regional authorities...

Therefore, before any crisis a company should have mapped all the ministries involved and other politicians with interests in the matter.

In Spain or Germany, for example, the powers in relation to matters regarding food and consumption are assigned to the regional authorities (Lander or Comunidades Autónomas) so the map of strategic players would be more extensive, on a horizontal level (MPs, members of the ministries, regional government authorities) and a vertical level (European, national and regional institutions).

Finally, special care should be taken with regard to the storytelling that is going to be employed during the crisis. The message put across must be coherent but the language ought to be adapted to the different interlocutors.

Laboratory researchers, for example, will accept and understand a technical message. On the contrary, according to the duties of any ministry, it is comprehensible that a minister or secretary of state does not have any specific technical capacity and needs a different explanation. Moreover, in a crisis a politician will most likely not even have enough time to understand the problem in all its dimensions.

Therefore, when directly addressing a minister or regional councillor, some simple rules should be followed, whether during the crisis, on one or several occasions, or at a personal meeting or simply sending a document by e-mail.

- **Political messages:** politicians will always look for political arguments. Their decisions will always be biased by their respective ideologies so they need to understand why a company's position supports their storytelling. The resources used must be geared towards explaining the political advantages of making or modifying a decision.
- **The message, at the beginning.** The time a politician can give any interlocutor will be very limited. A one-hour meeting can easily turn into a fifteen-minute encounter. It is

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“It should be explained the source and, above all, what is being done to solve the problem”

perfectly possible that he/she may not spend more than five minutes reading a document sent to him/her. For this reason, the key message must be stated clearly and precisely in the first few minutes, or on the first page.

- **From the problem to the solution.** A politician’s desk is usually full of problems to be solved some time before the hypothetical food crisis breaks out. Proposal might be taken as another problem and go unnoticed. So proper attention could not be paid to it. The danger of not listening is that politicians may end up making declarations that go against business interests. So companies should always offer a solution to a problem. A simple solution that the politician can use to strengthen his own discourse. The politician is more than likely already aware of the food alert so it should be explained the source and, above all, what is being done to solve the problem and what measures will be taken to ensure that it does not happen again.
- **Advanced, but simple, arguments.** When a company goes to these meetings, it must use advanced

arguments, although avoiding excessively technical language; otherwise it may feel underrated. The politician himself/herself will often ask to go into more detail in a given explanation.

- **Avoid disputes.** Getting into a dispute does not help to clarify ideas, but rather to increase the confrontation. If there is an opposing stand, one must be attentive to find out why. It may even detect it in the conversation. In other cases political intelligence tools will have to be used.
- **Modesty.** When dealing with institutional officers, one must always be modest. This is something to be borne in mind, especially when the speaker is a company executive not accustomed to this kind of contact. A bad attitude can close all the doors for a company in the future.

... to management of influence in political spheres

The crisis provides an opportunity to enter into talks with the government, albeit somewhat hasty.

If it is done properly, it will have observed the advantages for

“An optimum relationship level is established by anticipating political decisions”

Reputation of fluent relations in political spheres. But these relations will be more fluent the greater the benefits to be reaped by both sides.

In general, the contacts it might be established with the regulator might be differentiated in three levels: relational, reactive and follow-up.

Within the ‘relational’ level in which several ‘win-win’ collaboration channels are opened, with the company putting the political interest on a private interest level so that tools will be implemented that are useful for the politician who exist relation with.

Within the ‘reactive’ level it takes contact with the politician for the first time in the middle of an open issue. Therefore, he/she may well have received information from other sources, on the basis of which he/she will have formed a more or less solid opinion. Normally it is unknown what his attitude will be on receiving this information.

At a ‘follow-up’ level, a company must participate actively in the political conversation, trying to sway it. A company should go to the corresponding Ministry or the affected members of the Parliament to meet those directly in charge of the issue at stake, or alternatively it should send them the appropriate documents. This

constant effort of meeting the decision-makers is the one that would provide the benefit in terms of respect of a given issue and the credibility of a well-tended Reputation.

In the ‘reactive’ level, communication channels need to have been created well in advance. In the ‘follow-up’ one, this channel has to be kept active in order to be able to use it in case of need. At the third level, the ‘relational’ one, the aim is to establish a two-way relationship. It is necessary to study what tools are best adjusted to any given company and what the politicians are expecting from us. The aim is for a company not to be seen merely as requesting information or looking for a solution to its problems, but as providing information that is valid, of high-quality and, above all, useful for performing the political duties of the Regulators involved.

An optimum relationship level is established by anticipating political decisions. Once a crisis solved, contacts with Regulators should be maintained. Since public opinion criticisms of insufficient existing regulation may push the Regulators to put forward new and stricter controls in any of the business value-chain. **This kind of initiatives (either within the Government or within the Parliament) tend to begin in an informal political setting, behind the scenes, which a**

“Tools can be established for this purpose to work on the corporate culture of reporting, relations and anticipation”

company has to be able to detect and influence so that it is left aside of it due to lack of access or anticipated information.

This is why it is important to change the pattern in which companies and industries operate within the political realm. In LLORENTE & CUENCA we have observed a growing need for companies and organisations to adapt their public affairs units to a new political and regulatory environment. In this new scenario, informal conversations are the element that must be grasped to move ahead and efficiently sway opinion.

Tools can be established for this purpose to work on the corporate culture of reporting, relations and anticipation. The decision on what kind of tools is best suited to each organisation is made on the basis of a detailed study focusing on four parameters:

- Influence potential.
- Internal management of influence.
- Resistance to change.
- The public.

Based on those four parameters, any given company will obtain an analysis of its own organisation

and the possibilities of bearing an influence upon the political world.

It is necessary to stress some ideas regarding how to exert influence upon political circles:

- It must be a **strategic asset** of the organisation, not just based on personal acquaintances and relationships.
- It must be submitted to **planning** (anticipation).
- It must be possible to **account for it** (reporting, annual report).
- It is a corporate tool to build long-term, win-win sustainable relations.
- It is supported by, and fosters **Reputation** to create value in companies and organisations.

4. CRISIS MANAGEMENT AND ONLINE ACTIVISM

The food industry constantly has to deal with major conflicts, from natural disasters that devastated thousands of harvests in the past to more contemporary notorious events, such as the cucumber crisis or BSE (mad cow disease). If we associate the concepts crisis and food, we will surely be able to recall countless situations of

“Companies now face more consumers who are more aware, active in communication/opinion and highly exposed to information”

conflict experienced by companies in the sector. Traditional crises in which society has been witness and participant, the causes of which can be very varied.

In recent years, the food industry has had to cope with problems generated outside the company and others caused by its employees; other situations may have arisen in a specific product or affecting a whole sector; being national or international; being real crises or caused by false rumours; associated with the composition of the product or relating to an indirect problem generated by it and numerous other possibilities.

This has shaped a complex framework through which it can be sensed that the management of a crisis must contemplate many factors in order to adapt to each case.

The changing pattern of food communication

If we analyze the essence of the industry, consumers have changed in recent decades from ‘eating’, as the action of physiological satisfaction, to ‘feeding’, an event involving new factors such as health, nutrition, research or physiological balance. Logically, the pattern of communication has changed at the same pace and progressively over the years.

Companies now face more consumers who are more aware, active in communication/opinion and highly exposed to information.

But not only consumers have changed. The environment is also becoming more and more confusing. New players and stakeholders appear every day, interfering with the play of communication. They unquestionably make the scenario increasingly more complex.

As a result, and directly related with the appearance of 2.0 environments, public opinion is now also published opinion. Although this opens up countless new opportunities for companies in terms of marketing and advertising, it also generates a large number of risks, which may derive into a crisis at any time, hampering their management.

Although many companies have documents and manuals preparing them to react in a conventional crisis, at present the speed and force of response required makes them insufficient. All this, together with human factors such as subjective decision-making and the tendency to improvise when factors appear related with the online world, can determine the success or failure of these critical situation’s management.

Risk management: secret ingredient of crisis management

Real problems arise unexpectedly. So any minor incident can immediately turn into a crisis with major repercussions on the business and Reputation of a company. To avoid this, there are two concepts that must not be overlooked, namely PREPARATION and MANAGEMENT TOOLS.

Both online and offline, being prepared for a possible crisis is essential to stop it from getting any worse. This is why it is necessary to minimize any risks believed to be found, which could set off a serious problem.

Firstly, therefore, one must prevent by preparing the ground. There are some risks one ought to anticipate, by educating consumers, boosting their confidence, informing on progress as it is made and enhancing product information.

Secondly, a company must have tools that enable it to detect risks rapidly and handle any incident immediately and objectively. There are both online and offline tools to make this work easier.

In the offline area, crisis manuals are an example of tools for prevention, since they include messages, procedures, scenarios and recommendations. The latter may be made automatically or adapted to the online environment

with handy tools that make them considerably easier to use.

With adequate planning one can prevent a crisis or at least mitigate its most harmful effects.

Managing a crisis in food companies

The line between worlds 1.0 and 2.0 is growing fainter. At present there are very few everyday situations in which the online environment is kept separate from the offline activity and vice versa. For this reason, it is vitally important to have suitable tools to make a combined management of the online and offline environments. And above all, enabling this to be done in the shortest possible time.

There are certain elements in crisis communication that facilitate management of the problem. The digitalization of crisis management contents and material through a darksite or online platform will undoubtedly speed up our reaction. Similarly, having an early alert detection system, such as GUIA © designed by LLORENTE & CUENCA, will enable a company to act swiftly right from the start of the incident.

In the same way, it is important to have a crisis mentality in the organization, created in advance

“With adequate planning we can prevent a crisis or at least mitigate its most harmful effects”

“It is also crucially important to have an early alert system to identify the risks before they actually occur”

and enabling management to act coordinated and securely.

The protocols for managing a crisis are similar both online and offline. We describe below the principal phases:

1. **Assessment of the seriousness of the incident** and, more importantly, do so objectively. To determine how serious an incident is, its source and repercussion, which requires appropriate procedures of alert and action to handle the incident.

Something which is not at all ridiculous in an environment in which reactions are not always balanced; people tend to over-react or under-react. Therefore, to cross the barrier from the signs to the crisis requires an analysis enabling a correct diagnosis of the crisis.

2. **Activation of alert protocols and reporting lines**, in other words, coordinating team organization: establish profiles, tasks, responsibilities of those involved in crisis management. It is also crucially important to have an early alert system to identify the risks before they actually occur.

3. **Management procedure:** Organising the corporate response process to a Reputational risk or crisis involves taking different measures, both online and offline. The main keys for this are:

- Give the right message, in the right measure and to the right target public.
- If online communication is necessary, it is best to do so using own tools (corporate networks, website, etc.). It should be assessed what best for offline, measures are best suited to the situation.
- Humble attitude. Admit proven errors and apologise.
- It is important to be proactive online. Offline, it depends on the situation.
- Always explain what is going to be done to solve the problem.
- In the same way, always explain what the organization plans to do to prevent similar incidents in the future.



“When the crisis ends, or starts to wane, it is very important to remain alert”

4. **Reputation recovery.** But when the crisis ends, or starts to wane, it is very important to remain alert and continue taking several actions. We must:

- Increase the intensity of monitoring and add new search elements, especially online.
- Implement new scenarios adapted to the new corporate reality after the crisis.
- Include more “positive” content in our communications, both through our websites and blogs and offline.
- Promote the positioning of favourable contents in search engines online (SEO).
- Assess the development of the crisis, reactions and

possible faults that could be avoided in similar events.

5. REPUTATIONAL RISKS AND LEGAL RISKS

The commencement of any legal action against a company is the beginning of a period in which its Reputation in the eyes of all its stakeholders will be put to the test. Almost inevitably, the “jury of the public opinion” will end up, when the legal proceedings have concluded, deciding whether or not to continue trusting the company, its products and its executives. In our experience, that decision is not directly marked by the outcome of the legal proceedings, which may be positive or negative for the company’s interests, but depends more on how the company (and other players outside the company) handle communications with each stakeholder throughout the duration of the case.

PRACTICAL MODEL CRISIS 2.0



“It is relatively usual for the companies in this sector to face legal actions from consumer associations”

The food sector has accumulated extensive experience over many years in the management of risks associated with food alerts, product recalls and similar actions. Companies are increasingly more aware that the Reputation of their products is put to the test every day on the market (in consumers’ purchasing decisions) and have learnt to handle these situations swiftly and efficiently.

However, from the point of view of managing their Reputation, the present social and economic scenario is causing additional difficulties for companies in the food sector involved in legal proceedings. The sector faces new challenges, which they will overcome or not depending largely on their capacity to connect with their stakeholders’ communication needs and to put across their version credibly and soundly for those who hold the key to their future, from regulators to consumers, including employees, suppliers and distribution chains.

Litigation in the food sector: new stimulants for old risks

It is relatively usual for the companies in this sector to face legal actions from consumer associations, which file claims through different channels for a broad array of problems involving quality, labelling, food safety,

etc. The sector has also had to fight intense battles over disputes related with anti-trust or fair trading laws, either between products and manufacturers, or as a sector against national or European anti-trust authorities.

In terms of communication, both these areas (consumer actions and anti-trust disputes) have created major challenges for companies and their brands in the past, since the effect on the purchasing of a product by consumers could be immediate, depending on the sense and significance of the accusations, judgments or resulting penalties imposed on the defendants.

However, two elements stimulating those risks have been triggered recently which have an important effect on Reputation management by companies and their brands: on the one hand, increased awareness and sensitivity of public opinion to companies’ actions, and on the other hand, Internet, which has boosted the capacity of mobilisation against companies or their brands and the lasting effects of a case after conclusion of the legal proceedings.

1. **Sensitivity of public opinion to companies’ actions.** In the present economic situation, opinion leaders and their followers are more sensitive towards companies that “do not behave correctly” and

“It is becoming increasingly common to observe negative reactions in the public opinion to companies that are sued by different players”

may be made scapegoats for the crisis or its consequences. It is becoming increasingly common to observe negative reactions in the public opinion to companies that are sued by different players, even leading to protests and demonstrations, boycotts or other forms of activism against their brands and products.

In recent months, for example, this sensitivity has meant that legal disputes which in other times would have been paid much less attention, such as tax or labour disputes, have become rallying cries against certain brands or companies, even before obtaining a decision in the corresponding legal instance.

Companies are aware of this situation and no longer consider as “minor issues” certain conflicts which would have gone unnoticed in other times, or whose public impact would have been reduced to a qualified group. By way of example, disputes associated with lay-offs sway the public opinion much more strongly in favour of the “weak” party and against the company, even when there are objective grounds and the correct procedures have been followed. Similarly, the prosecution of legal persons

by the Inland Revenue for tax disputes produce a negative reaction among the less specialized public against the companies that appear to be unsupportive of the economic situation, by trying to pay less tax.

This scenario makes it essential to prepare very carefully the management of communication during these proceedings which, as mentioned above, would in other times have a very small effect on company and product Reputations.

2. **Capacity to protest against companies or their brands.** It is widely accepted that Internet has confirmed itself over recent years as a platform for conversation and the creation of opinion, with speed as its main feature. However, for this analysis, it is more important to bear in mind the capacity it has been developing for some time now as a tool for protesting and calling to action.

In the food industry, this quality of the different networks we now umbrella under the term “Internet” or refer to generally as “social networks” has become an especially sensitive risk for the Reputation of a company or its brands and the business, owing to its potential

“Owing to the characteristics of Internet, it is not easy to shed the “millstone” that information from the past (true or otherwise)”

immediate effect on sales and consumer decisions.

The growing capacity of organization of “online activism” forces companies to have an appropriate active listening system on Internet to be able to react appropriately and in good time to this medium, following an adequate online crisis management strategy.

3. **The challenge of the “footprint” of a case on Internet.** The so-called “right to forget” has arisen precisely from the need to alter the fact that a person or company is “labelled” with certain attributes, based on true or false information, which have an adverse effect on that person’s or company’s personal or professional life. It is not difficult to find examples on Internet of companies or products in the food sector that were immersed in legal proceedings and even years later still appear associated with that fact in the first search results produced by search engines.

Owing to the characteristics of Internet, it is not easy to shed the “millstone” that information from the past (true or otherwise) can come to be, although the desire to do so is perfectly legitimate. It is possible to restore

someone’s Reputation on Internet and in the social networks (Reputation recovery) to give a more accurate image of the current situation of a person or company without highlighting certain details from the past by using adequate tools and taking the right actions, which, contrary to popular belief, are not so new in terms of communication because the need for certain companies to make certain chapters in their past forgotten has always existed.

Communication during litigation and its impact on the Reputation of a company or brand:

As a starting point, we must bear in mind that legal proceedings are a situation of risk for any company, even when it is the plaintiff. Apart from the fact that the climate of information generated on the case will affect the outcome, the way in which communication is handled during the proceedings will affect the company’s Reputation, regardless of whether judgment is passed for or against it.

All legal disputes involving a company have a strictly legal aspect and another perspective related with the Reputational risk. To correctly handle the latter, a communication strategy aligned with the legal strategy

“Internet has a bearing on all phases of the judicial process, because it picks up all conversations generated on and about a case”

must be designed and implemented, especially if the aim is to minimize the knowledge of the case.

Particularly when at least one of the parties is a well-known person, company or product, litigation is no longer considered a technical dispute within the courtroom but as a competition in which each of the parties must make his version heard, understood and remembered by those having an influential voice in the “trial by media” and by its key stakeholders.

Experience has shown that it is practically impossible to avoid “trial by media”, especially if the case are well-known or important. What is important is to bear in mind that, to a greater or lesser extent, a case will always arouse a certain amount of interest (by the media, net surfers, etc.), and that, depending on the degree of interest and what is considered best for the company’s Reputation, each move must be planned considering not only the traditional media but also with our sights set on all the groups or individuals that may be involved or interested in the affair, because Internet offers them a readily accessible space, simple

and absolutely public, in which they can express their opinion and hold a parallel “trial”, even spurring on protests and demonstrations.

Internet has a bearing on all phases of the judicial process, because it picks up all conversations generated on and about a case and greatly facilitates searches in newspapers and periodicals on a given case at any time. This is a fact that affects and is present in the initial stage and in the processing and judgment of the dispute, offering instant means for assessing each landmark and comparing and discussing it with what society thinks of the case. Internet participates and plays a leading role in each of these stages, acting as a bridge for those people and institutions with the greatest social influence to express their views on the progress made. The cycle is closed at this point and the group of “influencers” on each stakeholder (for example, suppliers, employees, customers and regulators) contributes towards creating the context for the following decision or progress in the proceedings. According to this vision, the phenomenon will be repeated in each stage of the proceeding, following a cycle.

“The communication strategy must always be developed in line with the legal strategy”

In short, public opinion on a court case is no longer formed by a linear mechanism produced as a cause-effect relationship in the traditional media (where each development in the proceedings is commented in the press), but is a cyclical phenomenon in which, after each development in the proceedings and its reflection in the media, new information and opinion channels come into play and sway the public opinion, namely Internet and social networking, with the logical effect on people who, in terms of Reputation, we could call “influencers”.

5 Keys to success in the communication of litigation

- **Leadership of the legal team**
The communication strategy must always be developed in line with the legal strategy, taking account of objectives, general defence strategy, landmarks and developments of the calendar of the major decisions in each judicial

instance, and the principal communication times.

- **Correct diagnosis of the Reputational risk**

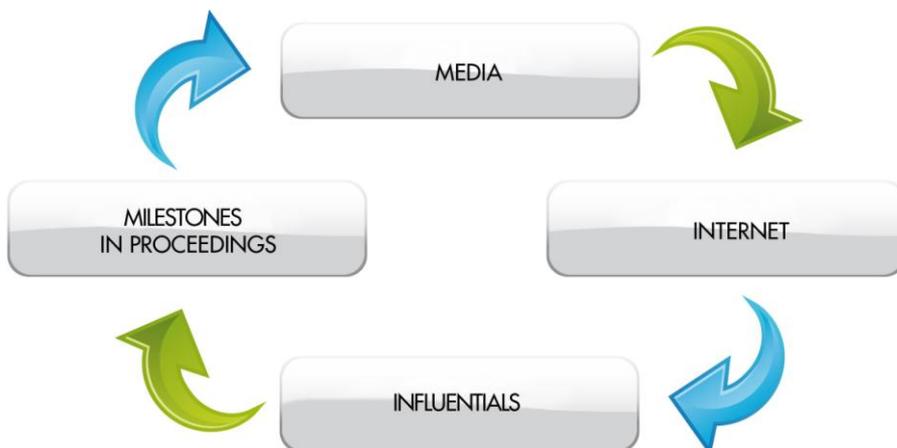
When analysing the case, specialized tools are needed to detect the media potential of the process. By identifying the main features of the case and detecting the media case law generated, an initial assessment is made of the case to determine the degree of media interest.

- **Multi-stakeholder communication strategy**

It is vital to have a communication strategy with a multi-stakeholder focus. As mentioned earlier, the Reputation of a company, product or person consists of the opinion held of it/him by the relevant stakeholders, so if legal proceedings entail a Reputational risk, it would be logical to implement a strategy that distinguishes between the different stakeholders and meets the communication needs of each one.

- **Monitoring of the “trial by media”**

It is important to monitor the information published in the media, both printed and online, and what is posted in the social networks, in order to gauge the public opinion, locate the



journalists and stakeholders interested in the case and react and even modify the strategy if necessary.

declarations by the spokesman, is unquestionably a factor that affects the final outcome.

- Training of spokesmen/women**
 The better the spokesman, i.e. the more convincing and credible he is, the greater the possibility that the public opinion may take sides with the company's interests in the litigation and, therefore, the stronger its Reputation will be, regardless of the final outcome of the court case. Not only must the contents of the message be adequate, but also the person communicating it. A good spokesman can play a key role in the outcome of the litigation. Although the judges will be guided by their own criteria for interpreting the rules and applying them to the specific case in hand, the public opinion that forms on a legal dispute, partly thanks to

Finally, it must be stressed that the Reputation of a company or product is an aspect that must be treated very carefully when involved in legal proceedings, since it is difficult to avoid a simultaneous "trial by media". In the food sector, moreover, there are certain stimulants which require communication during the litigation taking account of all the company's stakeholders, with which it wishes to maintain a fruitful long-term relationship of trust.

6. CONCLUSIONS: BE, SAY AND DO... AND CHANGE YOUR BUSINESS MODEL

The model of relationships between the company and its

NEW STIMULANTS FOR OLD RISKS

Social and economic scenario

- Public opinion is more sensitive to companies' actions

The role of internet

- Capacity to raise protests against companies or their brands
- Durability of a case beyond the duration of the legal proceedings

5 KEYS TO SUCCESS

- Leadership of the legal team
- Correct diagnosis of the reputational risk
- Multi-stakeholder communication strategy
- Monitoring of the "trial by media"
- Training of spokesmen/women

“The management of intangibles through the Reputation model and connection with stakeholders creates in itself a shield against crises”

stakeholders is changing and the search for, interpretation and care of their interests are of vital importance.

The business environment is growing more and more demanding and companies are required to meet unprecedented levels of transparency and visibility. This situation has been heightened by the global nature of the companies, mainly due to the astounding development of information technologies, which has increased social scrutiny and their exposure to the entire planet.

Some of the challenges facing companies are, therefore: the generation of empathy to transmit confidence and credibility to the critical stakeholders; astuteness to develop customised connection proposals in order to influence them; and a territorial vision to handle an increasingly more global, integrated and controlled environment, in which the extra ingredient is to prove that they are committed to culture, values and the society to which they belong and in which they perform or wish to perform their business activities.

This requires a new focus on Reputation and management methods and tools that convert hitherto mechanical processes,

which have become obsolete, into a true particle accelerator.

The company must, therefore, identify the business dimensions in which it wants to compete; design the story, formed by attributes and strategic intentions, with which it wants to compete; analyze and establish a hierarchy for the critical issues of stakeholders; design connection proposals to influence critical stakeholders; and set up a measurement system to enhance the value of its intangibles.

In other words, it must, through a strategic relationship, connection and permanent dialogue with stakeholders, create a competitive edge per se that enables the company and its management team to be sufficiently outstanding to compete through differentiation.

We are convinced that the management of intangibles through the Reputation model and connection with stakeholders creates in itself a shield against crises and emerges as a lever for creating value to enable the company to compete on the markets with the approval of those having power.

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