

>> Why are companies leaving? Building the corporate tale of the Catalan exodus

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Nobody has escaped the fact that in recent weeks, relations between Spanish Government and Catalanian Government are putting the country into a **state of upheaval** and—we could dare to say—almost at a political extreme. The *procés* (process), from one perspective, or the secessionist challenge, from the other, is possibly the most complex situation Spain has had to resolve in the past 40 years. Not only because of the great distance between the two positions, but also and because of the consequences is causing to society, which is reacting strongly to the events that are taking place.

However, what we are seeing these days is not only how the masses are responding decisively and firmly, but also how the economic sector is making decisions with the aim of preserving the interests of their clients, employees and shareholders. The cases include CaixaBank, Banco Sabadell, Gas Natural, Abertis, Cellnex, Colonial, Codorniu, Catalana Occidente, Axa and Aguas de Barcelona. Nearly **1,200 companies**

that have announced in recent weeks that they are moving their corporate addresses to territories outside of Catalonia. If we bear in mind the urgent decree approved by the central government so that companies can change their corporate addresses in an urgent manner, without having to submit this decision to a shareholders vote, it is likely that more companies will consider this possibility. With this scenario on the table, it is worth considering the **factors that motivate companies and what the consequences are**. In addition, **how they should shape their narratives** to explain the thinking behind their decisions and how they will move into the future.

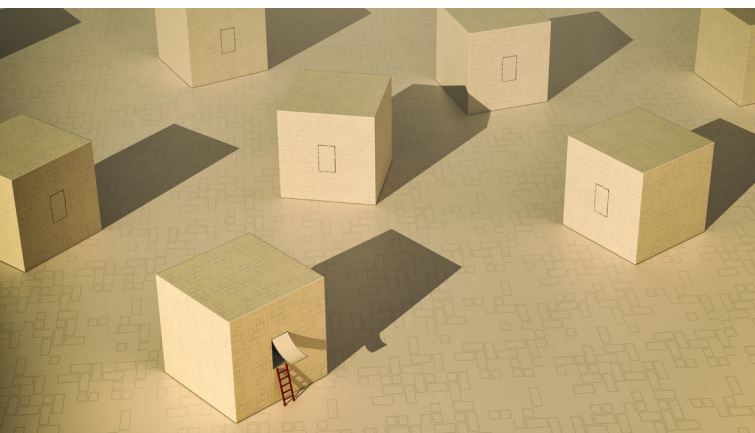
THE THEORY OF ECONOMIC REASONS DOES NOT MERIT A CHANGE OF CORPORATE ADDRESS

Many that claim that what motivates a change of corporate address is a tax impact and that the **flight of companies** will have a strong negative impact on Catalonia. Carefully analyzing the fiscal framework, this is the argument that is worth mentioning.

The main tax companies pay—the corporate tax—, which is collected at a state level, therefore, a change of corporate address does not entail any tax impact for either the company or the country. Furthermore, a company can change headquarters as many times as wished in the same fiscal year, and consequently the decision can be reversible.

SO WHAT IS CAUSING THESE COMPANIES TO MOVE THEIR HEADQUARTERS?

Heeding the reasons that companies are alleging, we see that they claim they are protecting the interests of their main stakeholders. But, what does this mean exactly?



1 The reputation economy. We are going to define from a theoretical perspective the social and economic framework under which companies are operating today to understand the reasons that underpin these moves. It has been almost 10 years since the worst financial crisis in the last century. In addition to a long and costly economic recession, this crisis led to tough social reflection during which public opinion shifted towards a deep feeling of dissatisfaction. Corruption cases and the imbalances of globalization contributed to this general social discontent. In this scenario, any organization taking part in the market—companies, institutions—must gain society’s trust, which *a priori*, mistrusts the entire system.

2 Trust. It has become a valued commodity that all companies must be able to obtain and keep in a context in which threats are growing exponentially. In an increasingly global and transparent world, information on each of a company’s practices reaches and is transmitted among all stakeholders at an accelerated pace via all information systems and social media, which are gaining more and more power.

Today, our economy pivots around trust just as the center of the operation of the financial markets is trust as well. Trust awards companies for their stability.

What is happening in Catalonia is one of the threats we were speaking of: a context of political instability and a questionable legal framework. After 1-O, the whole world was looking towards Catalonia, a scenario that—without any premeditation—represented a risk to the reputation of Catalan companies. If we look closely, **most companies that have decided to change their headquarters are listed companies,**

which were experiencing a loss of trust from markets, and were being harshly punished on the stock exchange. It required a strategic move to recover from this severe blow.

Since the mid-20th century, the equations that measure companies’ values have started to add intangible factors that proved that this value is not only measured in financial terms. The total balance of all these intangible values is what we call reputation. This concept defines as **the sum of the trust placed in a company by its stakeholders.** Protecting stakeholders’ interests... Remember?

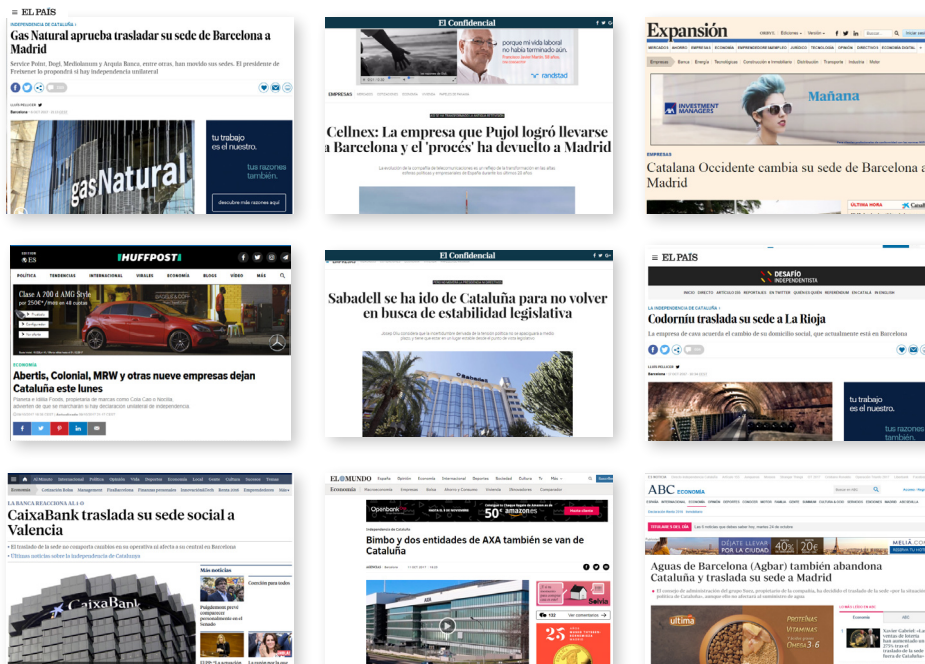
The conclusion is clear. By changing their headquarters, **companies are adopting measures they believe are necessary to restore the trust they were losing due to the instability of the setting in which they operate.** They are reacting in favor to their reputation.

HOW TO WIN TRUST AND FORGE A GOOD REPUTATION

Now that we understand the importance of reputation at a company and the consequences of intangibles, as well as the example of how just one of them can affect the trust of its stakeholders, we will now look at how **communication can protect a brand.**

When a company believes that it is acting correctly, it feels the need to reduce the gap between how it feels it should be perceived and how it is actually being perceived. Communication is the answer, and the essential item for attaining it. The strategic role played by communication means that all senior management must be involved in it. **Communication today is now part of a company’s behavior, and a transforming force.**

Compilation of front pages of the major Spanish media about the exit of companies from Catalonia



By identifying the variables that influence consumers' perception of brands, it is obvious that a company's image is defined as the ability to generate positive feelings among the population. This attraction capability—with an indisputable significance—is an intangible factor with fragile subtlety, a thing that appeals to the emotions. In short, companies must move and touch the emotions of individuals to differentiate from the competition. So... how do they do it?

“Companies are adopting measures they believe are necessary to restore the trust they were losing due to the instability of the setting in which they operate”

In this context, the philosophical paradigm that Walter Fisher developed in the 1970s on how to understand human beings and their relationships comes into play. **Walter Fisher** states that what forms us as human beings is not rationality (or at least not exclusively) but our way of relating through stories.¹

This paradigm means that corporate communications are being redefined, attaining an emotional level never seen until now. When, by means of their communications, what companies convey are not isolated messages, but instead they manage to construct a success story, which is developed coherently and accurately generating a degree of empathy that creates an irrational connection between consumers and stories. The emotions are engaged, an essential element of the decision-making process.

Once we are aware that the strength of emotion is the key element that influences how stakeholders perceive a brand, we will then understand how communications should be like and what values companies must convey to win trust and maximize their reputation.

One thing we will agree on there is nothing as emotional and irrational as the feelings that the current political situation in Spain is provoking. If love or fear can be a decisive emotion when picking a brand, do we understand the measures of the companies that are deciding to change their headquarters?

HOW TO BUILD A NARRATIVE BY BALANCING EFFICACY AND EMOTION

When a company makes the decision to leave in order to avoid irreparable economic damage, it must pay the price. One of the things it must do is show consistency between what it does, what it says and what it said (if it said it) it would do to handle a specific scenario. To deal with the narrative for leaving the region, which will be the narrative for handling the start of the crisis, we can establish these stages:

- Review and redefine, if necessary, the mission statement. Namely the vision, mission, values, purpose, value proposal, positioning and offering. The what, how and why of what a company does shapes the **CEO's legacy** to society. It must be perfectly in line with the corporate **business plan** to assure that there is a consistent corporate narrative. Legacy and money in harmony. For example, if you expressly state that you are in favor of the *procés*, how will you explain

your reasons for changing your headquarter base to your customers and other stakeholders?

- Conduct an ongoing analysis process of the political, social and economic environment. Political and economic context reports will be instrumental in order to design your narrative.
- Establish a continuous news monitoring system that has an early alert system implemented that can detect any substantial change in the environment and any risk or threat. You have to know what the politicians are saying in Barcelona, Madrid and Brussels, but also what they are saying in the main global financial circles, in the courtrooms and in the main Catalan, Spanish and European business forums. That was only a small sampling.
- Execute the best context analyses possible, in order to establish the best time at which to make a decision and notify stakeholders of this decision. Look for help, if you need it, from among the best-specialized professionals. Involve the legal and financial teams in constructing your strategy and narrative.
- Conduct a trends analysis and seek for international examples so that you can compare other similar cases in other markets.
- Outline an exit plan that minimizes risks and enemies. Try to avoid closing doors and severing relationships whenever possible. The timeline must be plotted out in advance, so all of the above is essential.
- Describe possible risk scenarios according to the plan designed, and establish what the aggravating factors could be for each scenario. This is also essential. If you skip this step, you will be headed towards failure.

¹ FISHER, Walter (1987): *Human Communication as Narration: Toward a Philosophy of Reason, Value, and Action*, Columbia: University of South Carolina Press

- Establish the narrative for leaving Catalonia. Let us review: It must be coherent and consistent with the company's mission statement, and, of course, the strategic plan must be perfectly aligned with it. This is probably the most complicated part of the process that requires the greatest possible expertise in defining it.
- An operation of this type will undoubtedly cause wounds and conflicts. Seek alliances that strengthen and corroborate your stance. Allies can be internal (employees, shareholders) or external (unions, suppliers, customers, the media, influencers...).
- Define when and how to communicate the decision. The exact time is important, as well as the format. Establish which channels to use (offline and online) and prepare the spokespeople. Leave nothing to improvisation.

Once the communication is executed, monitor. Always monitor, defining what the reactive statements will be in advance, in accordance with the possible scenarios you defined. What is more, you should fully schedule when to speak and when it is best to be quiet and just wait (although this is not generally the best option).

And naturally re-evaluate the situation constantly until it is under control.



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Luis Serrano Serrano is Director of the Crisis Area at LLORENTE & CUENCA. Holds a degree in Journalism, is one of the leading Spanish experts on handling and managing communications in emergencies and catastrophes, as well as in developing crisis action protocols on social networks. For 17 years, Serrano was the press officer for the Community of Madrid's Emergency 112 Center, where he actively participates in handling situations as important as the 11M terrorist attack in Madrid. Serrano has been involved in over 100 industrial accidents, accidents with multiple victims, actions at leisure centers, health crises, and similar. Wrote a book on his experiences entitled 11M and Other Catastrophes:

Managing Communications in Emergencies (11M y otras catástrofes. La gestión de la comunicación en emergencias. Serrano also has extensive teaching experience in the field of emergencies and crisis management. Professor of the Master's Degree in Emergencies at CEUTASSICA, as well as the Master's Degree in Fire at the Universidad de Lleida. Also has been a professor-collaborator at the National School of State Civil Protection for 12 years now.

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