

COVID 19



CHALLENGES
SERIES

IDEAS LLYC

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CHALLENGES
S E R I E S

CHALLENGE: COVID-19

IDEAS LLYC
EXPLORE. INSPIRE.

Nonvenal edition

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Content

Editor's note	7
PROLOGUE	
Communicating in quarantine. Taking stock of almost three months of lockdown (02/07/2020) <i>El Economista</i>	9
JOSÉ ANTONIO LLORENTE	
ARTICLES PUBLISHED IN IDEAS LLYC (MARCH - MAY 2020)	
1. Consumers and brands in the COVID-19 crisis (25/03/2020) DAVID GONZÁLEZ NATAL, GUILLERMO LECUMBERRI AND MARLENE GASPAR	14
2. Communicating in a pandemic: New York Governor Andrew Cuomo's Keys to Success (27/03/2020) ALEJANDRO ROMERO AND GERARD GUIU	23
3. COVID-19: Keys to managing talent engagement in uncertain times (01/04/2020) MARÍA OBISPO AND DAVID GONZÁLEZ NATAL	29
4. The role of CEOs amid the COVID-19 pandemic. How to overcome this crisis and guarantee company sustainability during the pandemic (08/02/2020) PACO HEVIA	34
5. From anticipating crises to revealing opportunities. How to discover winning strategies in the midst of social media noise (16/04/2020) IVÁN PINO	47

6. Verbal brand identity: Positioning, attracting and winning over (24/04/2020)	57
ANA FOLGUEIRA AND BARBARA RUIZ	
7. Latin America Actuality Report: Three approaches to the pandemic (28/04/2020)	65
CARLOS MALAMUD, EVA MATEO ASOLAS AND RAMÓN CASILDA BÉJAR	
8. Corporate strategies for private capital incursions (30/04/2020)	101
JORGE LÓPEZ ZAFRA AND LUIS GUERRICAGOITIA	
9. The Role of CEOs in the recovery. How to resume business and review value propositions for a post-coronavirus recovery (08/02/2020)	117
PACO HEVIA	
10. Family Businesses: Turning point and way out of the COVID-19 crisis (20/05/2020)	131
MAR GALTÉS AND PACO HEVIA	
LLYC	
About LLYC	141
About IDEAS LLYC	142
Organization	143

Editor's note

Produced by LLYC, this edition of CHALLENGES contains a selection of the LLYC IDEAS articles and main media appearances by our professionals in March, April and May 2020, all focused on the topic of communications during the COVID-19 crisis.

There is no question that the pandemic has been and remains the greatest challenge any of us have had to face in a long time, with a terrible impact on people's lives. The first goal has therefore been to look after people and socially contribute to achieving that objective. LLYC has also sought to offer its work and experience to our clients by sharing our communications knowledge from a global perspective.

This edition shares some samples of that knowledge, containing relevant lessons for brands, leaders, companies, executives and specific sectors that have been trying to deal with this unprecedented crisis. Neither the pandemic nor the lessons to be learned from it are over. One thing we are certain of, however, is that we will emerge from this crisis knowing we are more vulnerable, something that will hopefully mean we think about one another more often.

PROLOGUE

**Communicating in quarantine.
Taking stock of almost three
months of lockdown**
El Economista
(02/07/2020)

José Antonio Llorente
Founding Partner and Chairman of LLYC

The lockdown has stimulated a need in us to communicate. Unlike other plagues, COVID-19 clearly revealed itself almost overnight, moving from country to country. The whole world was suddenly left in a state of shock. Just days before the pandemic was announced, neither governments nor citizens were prepared for what was to come. An exercise in improvisation was forced upon us. Uncertainty and contradicting messages led to fear. We all felt seriously threatened and affected. Meanwhile, the healthcare system was collapsing, and even political leaders were among the first to catch the disease. This has been the first crisis to affect each and every single one of us. With no spectators or audience, the cast of actors in the pandemic includes all of us.

That equally individual and planet-wide involvement has led to clear infoxication. The virus was the only headline; nothing else mattered. News programs became twice as long but coronavirus was the sole topic of discussion. The same happened with all other conventional and social media. The situation remained the same for several weeks. Online newspapers postponed or suspended their payment walls. The infodemic was spread for free via numerous media, occasionally subject to few criteria, without method or purpose. Everything was about COVID-19 and nothing else. There were weeks when people were even unable to get sick with anything else.

Channels, messages and approaches were often chaotic, but we receivers have changed our tune in that time. A new form of disciplined, solidarity-focused and resilient citizenship has emerged. Not only have we concerned ourselves with our loved ones and other people, but we have also recognized, verbalized and highlighted like never before. Family reality has often shown its face during our videoconferences in recent days and weeks, and this has suddenly and unexpectedly made us human again. We have learned to look after ourselves in order to look after others.

Faced with a crisis that fed on itself and was covered live to such an extent, it was inevitable that printed media would lose touch. Audiovisual and digital formats have grabbed the interest of inter-connected citizens who have constantly and almost compulsively become consumers and broadcasters of information. The contrast between light and dark on social media has become sharper, but they have clearly taken over the conversation. Twitter, Facebook and WhatsApp have been used en masse to find information, con-

nect with others and share. Instagram, YouTube and TikTok for entertainment and taking a break.

The health crisis has made us fall in love with new leadership models. Genuine leaders who can be taken at face value have triumphed. Andrew Cuomo, New York Governor; Jacinda Ardern, Prime Minister of New Zealand; and José Luis Martínez-Almeida, Mayor of Madrid, have earned the affection and appreciation of their citizens because of their authenticity and approachability. António Costa and Angela Merkel because of their simplicity and effectiveness. In contrast, Donald Trump, Boris Johnson and Jair Bolsonaro stand out among the deniers who have brought their countries, and sometimes themselves, to the edge of disaster.

It has also been confirmed that emotionless data mean pretty much nothing. It was initially thought that overwhelming the public with reality data was enough to solve the problems: Evolution of the curve was broadcast in real time, its peak and flattening point; the number of infected, diagnosed and hospital deaths. These data clarified nothing. The inconsistency of figures and doubts over their management clouded people's judgement. Spain was probably the country to have paid the most attention to figures. They have been a mainstay on newspaper front pages since the crisis began, a constant that is not repeated in any foreign media channel that I usually follow. To find equivalent data sets in *The Guardian*, *Le Monde* or *Corriere della Sera* is simply impossible.

There has been an overexposure to data, speeches, versions and opinions. The government of Spain has tried to hog the spotlight since the outset, but each one of its initiatives was answered by dozens of in-

stances and public institutions in a fierce battle to capture the attention and monopolize people's time. The result has been an alarming rate of partisan politicization, in which each group has tried to redefine reality based on that which it was most interested in arguing. It was the perfect breeding ground for unfounded rumors. The equation of 'social media + politicization' usually equals unfounded rumors squared. That has also been the case this time. People read and believe what they are sent by their friends and contact circles. Opinion groups became inaccessible to anyone who thought differently. Debate only takes place among those of the same mindset, meaning that each group tends to radicalize and reaffirm its own points of view.

Amid so much noise, good neighbors have earned increased presence and value. Some smart companies have chosen to be good citizens and take the side of the people. We all have our own list of companies that did a good job. The ones that successfully increased their value among their customers. When the recovery begins, they will be the ones with a head start. They have known how to explain their purpose and make it a reality. They have left communication quarantine before anyone else. When the health lock-down is behind us, those same companies will no doubt play a decisive role in the return to business as usual. Those others that have yet to define or convey their purpose to public opinion are arriving late to the party. They had better get on with it as fast as they can.

**ARTICLES PUBLISHED
IN IDEAS LLYC
(March - May 2020)**

1

Consumers and brands in the COVID-19 crisis (25/03/2020)

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On March 11, 2020, the World Health Organization (WHO) declared the coronavirus outbreak a pandemic. No one is certain what this pandemic's final consequences will be, but we do know it will cause a great deal of damage worldwide, both from the human and financial perspectives. Our global context was already volatile, uncertain, complex and ambiguous (VUCA), but COVID-19 has amplified each of these features, creating disruption by accelerating some recently discussed trends.

LLYC has the utmost respect for the complex situation facing both people and companies. We are facing a living, evolving crisis, and it is changing how we relate. In this, we discuss some potential evolutions in the relationship between brands and consumers both during and (especially) after this pandemic.

FLEXIBLE STRATEGIES

In this ever-changing situation, and considering the aftershocks we can expect following this pandemic, brands that were not working off of flexible strategies (particularly very verticalized companies with limited short-term response capacities) will have to learn from start-ups and big tech corporations. In the past, these two groups were agile enough to transform and adapt their strategies and even their business models with the changing times. The case of *Time Out* magazine is a good example. Previously focused on outdoor activities, it became *Time In* during the crisis, switching its content to home leisure. It is also worth mentioning that brands such as KFC and Hershey's recalled international campaigns that were considered insensitive. In a changing environment, a rigid plan has the potential to become a prison, preventing a company from achieving its goals. It is thus crucial to develop and, above all, manage brands with strong identities fluidly, adapting their strategies without betraying them. This will allow brands to respond consistently across many different scenarios.

THE MANTRA OF "ANTICIPATION"

Relying on research helps us understand unlikely or unpredictable events, and then act on them. In this era

of extraordinary changes, brands will need to work on maintaining an integrated vision of reality and always staying one step ahead, now more than ever. Predictive analysis can be helpful to improving a company's ability to react and make decisions according to the context. It is not only about predicting specific phenomena, but also being able to manage scenarios while going beyond short-term goals. The use of data analysis technology for crisis management, with South Korea leading the way, will serve as an incentive for brands to start including a data component in their management systems. This could help them transform their innovation models.

COLLABORATING WITH CUSTOMERS

Now more than ever, brands belong to the people. Brand communications analysis during a crisis shows that pretending to be faster or more original than consumers makes no sense. The brands with the highest levels of public acknowledgement for their reactions have been those that aligned themselves with the conversations their communities were already having, connecting these discussions with their corporate purpose to show their relevance. Most have done this following three main lines: Offering value in the form of discounts or free services/products (such as Naturgy supplying free energy to hotels and homes, or telecom operators offering entertainment services or data); creating an atmosphere of comfort and understanding through their communications (such as Ikea and Vodaphone did with their campaigns in Spain); or making themselves useful during this complicated time (like Inditex or Pernod Ricard did by manufacturing PPE

or disinfectants (respectively) in their facilities). Brands that intended to continue communicating as usual, or those which, in some specific cases, tried to use the crisis as an opportunistic excuse, have encountered social rejection.

SOCIAL COMMITMENT

In difficult times, companies' commitments to the communities in which they operate comes to surface. Recently, many brands have filled their communication and marketing messages with responsibility and sensitivity. More than ever, we are seeing the brands' social role work in real time. This does not compete with the roles of public entities, but rather complements and expands upon them. For brands that have been working to activate their purposes, it is now easier to connect with society by transcending regular activities or financial capabilities. The focus on high-risk groups (primarily the elderly), especially in the case of food retail, highlights the existence of more empathetic and human brands, detached from old corporate values that were often a priority. In this regard, social commitment is more clearly manifested when translated into the attitudes of company leaders—especially CEOs. They are role models for the company's values.

STABLE ADVOCACY

In this era of generalized loss of trust, it is precisely trust that becomes a precious, necessary commodity, and communication is one of the key tools brands have to help build it. Relying on stable communication platforms or communities helps brands improve their messages' consistencies, reinforce their legitimacy and

coherence and build advocacy among employees and consumers in a natural fashion. Now more than ever, brands (and the companies behind them) have realized how necessary it is to have real advocates among their stakeholders. These are the people who will share their values and support their decisions during times of difficulty. Focusing on developing real, continuous advocacy will become one of the main post-crisis tasks for many companies.

RADICAL AUTHENTICITY

More than ever, the crisis is underscoring the need for all brand communications to show a high degree of authenticity and transparency, especially given these complex times. Brand communication can be like crossing quicksand, but this has also made those companies sharing genuine communications stand out—even when faced with the toughest decisions. This was exemplified by the viral post entitled *Joder* (Fuck) by shoe brand Pompeii, or the profound online message sent by Marriott's president. This authenticity is very much related to the humanization of key messages, the use of an empathetic and intimate tone and, especially, the indispensable element of complex transparency.

HOW CONSUMERS ARE EVOLVING

Uncertainty and the pursuit of security

LLYC's 2020 trends report discussed the issue of consumer behavior in crises, specifically looking at how they continued to display some of the same behaviors they did during the financial crisis even in its aftermath.

It seems clear that the feelings of anxiety and uncertainty created by this pandemic, boosted by rampant fear job loss, will only exaggerate these features. This may affect consumption even after the confinement period has ended. On the other hand, the situation has also shown that many citizens see brands as a pillar of stability in difficult times. They seek the comfort or security they may not always find in other areas in brands (although the public sphere will gain new importance). Therefore, brands that focus on projecting a sense of calm and wellbeing are creating more positive emotional bonds. The crisis will also cause an increase in conscious consumption, with people now being encouraged to buy online from local or nearby stores to support them, so that they can make deliveries after confinement.

Personal awareness

Understanding the importance of personal care and the body-mind balance is another trend that has existed for some time now, but was necessarily accelerated by this pandemic. Content related to mindfulness, fitness, yoga and meditation, as well as the apps promoting them, have seen increased consumption during confinement. Furthermore, there are growing conversations on personal care and the importance of balancing time between leisure and work. The end of confinement will be a great opportunity for brands focused on health, health services, science, physical activity and personal care. In turn, social conversations about time balance will likely intensify, and people's taste of cooking will lead to an increase in this activity over purchasing convenience foods.

Digital consumption and creativity

Confinement has offered many people a chance to explore new alternatives to having fun, communicating, shopping or working in the digital era. This experience of virtual leisure, access to deliveries, online shopping and teleworking will reshape people's habits and provoke faster-than-expected changes in areas such as digitalization, on-demand services and e-commerce. This, in turn, will foster regulatory debates about creating barriers around tools or digitally-focused companies. This crisis is also stressing the disintermediation LLYC has already discussed, as shown by experiments such as Amazon Go in the past. These efforts reduce the number of interactions between humans by design. On the other hand, confinement has also fostered creativity among social media users, not only when consuming content, but also when mass-producing their own entertainment through challenges, games, lists, etc. This will also help popularize tools such as Instagram Live and drive the use of humor to deal with the anxiety created by this situation.

The environmental sustainability paradox

Sustainability awareness, waste management, the importance of consuming organic products, pollution, recycling and environmental care have become especially relevant topics during this context of reflection. Through sad necessity, this pandemic has become the largest global experiment on pollution reduction. For example, NASA reported that pollution in China fell by 30 percent between Jan. 1 and 20. A similar effect was seen in Italy, according to data from the European

satellite Sentinel-5P. However, it is likely that the debate around environmental sustainability—which had recently gained momentum due to conversations about the climate emergency—will be obscured by other priorities related to safety and personal health. That said, the Chinese case has taught us how this can lead to growing demand for organic products and more concern about the environment. It remains to be seen what will tip the scale once the crisis gives way to long-term reflection.

Demanding consumers

The need to manage our time, the importance of our personal relationships, care for our loved ones, social awareness, intelligent resource management... Consumers learn faster every day, always looking for useful, meaningful brands that go beyond superficial issues to make their lives easier. The need for a constant flow of information, created by the pandemic, will also impact consumer expectations in terms of process transparency. This will be especially true in cases related to food security, as shown by delivery services' efforts to inform all users about the protocols followed to avoid contamination. Just as authorities are relentlessly demanding citizens become role models to overcome this situation, those same citizens will, more than ever, demand the same thing in return, not only from institutions but also from the brands they relate to.

Modern empathy vs. confinement

Sharing a house 24/7 forces us to show all of our creativity in finding new ways to entertain the family and

learn to manage both our own emotions and those of others. In this regard, the pandemic is reinforcing the roles of relationships, teamwork and the importance of coming together and cooperating to overcome adversity. There is also more focus on personal and relational wellbeing over wealth accumulation or frenetic consumption, aligned with the foreseeable economic stagnation. Debates on collective wellbeing might be very significant in the U.S. elections, where the sense of insecurity many feel during the crisis may support more progressive positions in terms of the public sector's importance and, more specifically, health coverage. Paradoxically, the crisis and continued confinement will also boost people's sense of isolation, and society should anticipate an explosion of symptoms linked to post-traumatic stress.

2

**Communicating in a pandemic:
New York Governor Andrew
Cuomo's Keys to Success
(27/03/2020)**

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**THE 10 KEYS TO GOVERNOR ANDREW CUOMO'S
SUCCESS**

In New York, the epicenter of the pandemic in the United States, a charismatic leader has emerged. He was well-known before now, but he has demonstrated a prodigious ability to manage communications during the coronavirus crisis. His name is Governor Andrew Cuomo, and he is 62 years old. A member of the Democratic party and a lawyer by trade, Cuomo has had a long career working in U.S. public administrations, having served in Clinton's

government and as the governor of New York State for more than 10 years.

What are the keys to his success in communicating?

1. Complex thinking, simple communications

Governor Cuomo is rigorous with his data, but he uses the language of the street. He talks about his mother as part of one of the vulnerable groups, sharing his intimate family conversations and his concerns.

Cuomo even shared how his sister had called him in a panic, wanting a COVID-19 test at a time when there were almost none in New York (in Spain, they could be accused of influence peddling). He told her to be calm, stay at home and not to do anything if she didn't have more serious complications. He always looks for practical examples and human stories to help him reach people.

Cuomo accompanies his news conferences with PowerPoint presentations sharing clear, direct and very concise messages such as, "Younger people are not that contagious. This is absolutely untrue! And it endangers our most vulnerable people." His institutional slogan, present on all slides, is "Stay home. Stop the spread. Save Lives."

2. Sincerity

Governor Cuomo does not lie. He is up-front about the exponential growth, fact that New York could be the epicenter of the United States and the reality that the hospital system could collapse. He shares the bad news (deaths infections, etc.) without fear. Just last weekend, he got angry with New Yorkers who went

out to parks, threatening to take more drastic action if it happened again. But it was more akin to the rebuke of a parent who appreciates and protects you than a Donald Trump-style rebuke toward certain journalists. Cuomo speaks not just to the head, but also the heart. He communicates with soul.

3. Empathy and spirituality

From day one, Governor Cuomo used rhetorical questions as a communications technique. He has said things like, “Am I afraid during this time? Yes. Do we know how long it will last? No. Of course I don’t have an answer to this. But together, we’ll keep moving forward. We New Yorkers are strong. We’re fighters, and we’ll keep moving forward.” He calls on people to show solidarity as a basic value of New York society.

He is also the first politician talking about what people should be doing at home during the quarantine, suggesting they read, meditate, do physical exercise, etc. He urged people to “Talk to your loved ones, and tell them how much you love them. We will get through this, as we have other difficult situations.” He does not talk about religion or any god, but about community values and principles.

4. Making headlines

His long career in politics and vast amount of public exposure have prepared him to deliver strong messages that journalists echo quickly. For example, “The difference between having enough ventilators and not having enough ventilators is the same as the difference between life and death.”

5. Social media

Cuomo's communications team is agile and effective. Each time they post something, it announces something specific or includes an informative headline: Available aid, restrictions, etc. His social media has become an official channel with 100 percent reliable, up-to-date information.

His principle social platform is Twitter, where he has more than 1 million followers. His content here is very well organized, with clear, well-structured messages targeting society at large. It is his main weapon of choice for communicating, and he has a high level of per-tweet engagement. Here, he calls for more doctors and nurses, or even medical interns, to join the fight, or asks the private sector for help getting more ventilators. Cuomo takes a multidisciplinary approach, acting as both activist and the voice for official decisions.

Surprisingly, his Instagram is much less active. He posts more tweets, but this network is targeting his younger audience. He has addressed them directly several times because of their responsibility in the spread of the disease.

6. Partnerships with social stakeholders

Governor Cuomo has not hesitated to personally call actors and famous New Yorkers one-by-one to ask them for help in encouraging people to stay at home. Personalities such as Robert De Niro, Danny DeVito, Ben Stiller, Alec Baldwin, Krystal Joy Brown and more have had a tremendous impact. Cuomo has been able to capitalize on their help, and his work with them has conveyed a sense of leadership and influence. It is an

American-style campaign in the purest sense, with for a noble cause.

7. a picture is worth 1,000 words

Cuomo knew he had to leave the typical newsroom to take his communications to the next level. He has already had his picture taken with a respirator, and this past Tuesday, he shared an image of himself at the Javits Center, Manhattan's largest provisional hospital. His surroundings in the photo also communicate and lend credibility to his message. He is conscious of every detail, such as having boxes of masks and medical supplies, delivered to help patients, in the background of his photo at the Javits Center.

Cuomo also made a summary video that looks more like part of a reelection campaign than a crisis management effort, but it shows his deep knowledge of the art of communication. It is a motivational video that shares objective data to spur New York patriotism at the highest level, in pure American style.

8. Leadership

He speaks like a leader and he offers solutions. He acknowledges limitations, but states what needs to be done. For example, "We need more than 30,000 respirators in 14 days or we'll have many deaths that we can avoid." He stands up and takes all questions without hesitation. 10.

9. Speed and proactivity

His public exposure, at all levels, is constant. It takes him less than a minute to tell President Trump that

the lives of New Yorkers come before the economy. Governor Cuomo is demonstrating an understanding of the power of good communications in a crisis, and how difficult times can create space for those who care to showcase their leadership to the country's citizens.

10. Body language

Numerous studies have shown that body language and nonverbal communication delivers more than 70 percent of the message. Governor Cuomo communicates calm, strength and security. With his steady gaze and powerful voice, he does not hesitate at any time. His relaxed gestures are well aligned with the messages he seeks to convey, and the touches of humor he includes create a relaxed atmosphere in the newsroom – something helped by how he empathizes with the journalists at every news conference he holds. A master of intonation, he always conveys his mood, whether it be outrage at the lack of resources or coordination from the Trump administration, his paternalistic feeling toward New Yorkers or his disapproval of those who do not stay at home, but instead go out in Central Park.

In a very short period of time, Cuomo has become a key character in the U.S. COVID-19 crisis. He is a good example to follow for both professional communicators and politicians who think they can still learn and improve (if there are any!). The good (and sad) thing is, Cuomo will likely continue giving us lessons for a while. From the communication perspective, however, his actions are worth analyzing. Let's take a deeper look at what he does - from home. #IStayHome

3

COVID-19: Keys to managing talent engagement in uncertain times (01/04/2020)

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When we welcomed the new decade on January 1, we never thought we would encounter a challenge as huge as the one we are now facing globally. Without a doubt, the current context is full of uncertainties, and even the VUCA (volatile, uncertain, complex, ambiguous) concept definitely falls short.

The pandemic has affected everything, including the ways we work and interact with our companies. According to a Gartner study, 88 percent of companies have encouraged or mandated that their employees to work from home. Many others are asking essential service professionals—who have become heroes in spite of themselves—to make almost titanic efforts.

Still more have been forced to resort to temporary layoffs prompted by the ongoing coronavirus crisis. In every case, these extraordinary circumstances have created at least three key challenges: Maintaining staff motivation when they are being asked to put social responsibility before individual wellbeing, boosting engagement while working separately and lifting spirits during and after a painful process.

We believe communication plays a key role in overcoming these challenges. “Creating security is not about offering information, but connecting,” states IESE professor Yago de la Cierva. Therefore, communicating in uncertain times must be based on good storytelling. Engaging stories set the tone for everything we say and summarize the most important things we want to tell. Therefore, the narrative must stem from empathy and understanding of our staff’s concerns, relying upon acknowledgement to leverage engagement. This story should be communicated internally but also be visible from the outside, represented in different experiences and pieces of content with a common message.

With a good story as a basis and with the goal of shedding some light on this scenario, LLYC’s Talent Engagement area analyzed how companies should communicate to ensure they are heading in the right direction. They found that communications should be:

- Close. Communicate based on listening and understanding, and offer answers to employee questions. It is more important than ever to use direct, clear, comprehensible language. The time for complex corporate speeches is over.
- Honest. In order to be reliable (always, but now more than ever), we must be completely honest.

In many cases, this includes showing vulnerability. It's okay to share concerns about the future and accept uncertainty and allow it to happen.

- **Constant.** According to Yago de la Cierva, "anxiety grows in a vacuum." It is more necessary than ever to maintain fluid communication with staff and ensure we do not lose touch. We must be the primary source of information for everything related to their work.
- **Two-way.** Two-way communication is a challenge for organizations, since it is not only about creating content, but also about responding. However, offering opportunities for our staff to voice their concerns, listening to them closely and working on implementing measures to address their needs will maximize the benefits. One-way communication offers a false sense of control and does not represent an organization's reality. Keep in mind, if one person in the company feels something, others may feel the same way too.
- **Proactive.** Most employee concerns are related to today's uncertainty and not knowing what comes next. Anticipating that feeling and creating a communication channel for them will help you be a step ahead. It will improve connections with and the engagement of staff members.
- **Consistent.** Communication must always be consistent with what we do. Complicated times are a true opportunity to showcase a company's culture and way of working. Therefore, we must resist the temptation to create pompous yet empty messages. Once again, put storydoing before storytelling.

- Long-term. We should maintain this form of communication and storytelling once this crisis is over. Not many things will be the same again, so even after we can return to our routines, we must bear in mind that our staff just went through a painful time. Try to find chances to generate content and experiences that serve as collective catharsis in the workplace, and always combine short-term reaction capacity with a long-term perspective.

Good communication alone is not enough. How we deliver it is also crucial. Our messages and stories must be shared carefully.

- Use channels specifically created for or adapted to the current reality facing the organization and its staff. Channels must be agile, participatory and accurate, and existing channels must be reviewed to determine whether they are suitable. If they're not, do not be afraid to create new ones.
- Middle management plays a key role and, in moments like this, they are usually under a lot of pressure. Often times they don't have first-hand information, yet they are the main point of contact between many staff members and the company. Create a manual for them to provide guidance on they can manage their teams in times like these, as well as offer them useful communication tools.
- How we choose to do things is more important than ever, and this is why we must lead by example to share our story. We cannot ask our staff to behave in a certain way and then not practice what we preach. Reward behaviors you want to see more of, and promote them from the company's top management.

- Create a network of internal and external ambassadors to create a more casual form of communication. It's important to convey a sense of normality, as this helps reinforce the team's peace of mind. Appoint ambassadors within the organization and ask them to publicly (on social media, in groups, etc.) and privately (at the water cooler, among their colleagues, etc.) share what their workdays are like in these new circumstances.

Last but not least, we must measure results and ask questions at all times. Today, technology allows us to obtain information from our staff in, essentially, real time. Use survey tools to ask employees how they feel and what they need. This will help them feel heard and give you ideas about what messages and/or actions to reinforce.

It's true, COVID-19 has changed us. It has changed the ways we work and interact with our companies and colleagues. It has changed our priorities and behaviors. So, let's change the ways we communicate as well, both in this moment and when all this is over.

4

The role of CEOs amid the COVID-19 pandemic. How to overcome this crisis and guarantee company sustainability during the pandemic (08/02/2020)

Paco Hevia

Senior Director of Corporate Communications area at LLYC

LISTEN. THINK. ACT.

A CEO's responsibility always implies a challenge.

“Whenever there is a challenge, there is also an opportunity to face it, to demonstrate and develop our will and determination.” – Dalai Lama

Making an organization sustainable is hard to execute, but easy to conceptualize. You only need to be capable of delivering a proposition that creates value for your key stakeholders.

For this to be possible, CEOs must support a purpose, a vision and values that clearly express the company's DNA, all in line with the relevant actors. They

must also find a clear playing field to provide the limits of their strategy, developed to satisfy—as much as possible—the needs of each one of the organization’s key stakeholders.

Understanding the company’s ecosystem and the sector’s megatrends allows CEOs to create and share a roadmap with the individuals who must follow it. This lets them obtain the desired short- and long-term results.

THE COVID 19 EARTHQUAKE

We were all tirelessly pursuing our goals when this disruption hit. An unforeseeable, external agent has suddenly changed everything, with implications ranging from the obvious health issues to the emerging financial difficulties. Furthermore, there are still social consequences expected to arise in the next few months.

What should our priorities be within this context, so as to best weather this crisis, and perhaps find our own silver linings within it? Minimizing damage is no longer enough. What company owners expect from their CEOs is for them to not only sail through this storm, but also be able to come out of this situation stronger, with value created.

It seems logical to think setting a good management system in motion would suffice, taking into account the current scenario’s specifics when possible.

HOLD ON TO YOUR PRINCIPLES

Focus on maintaining your purpose, vision and values. Betraying them during the pandemic might create value in the short term, but your stakeholders will

lose trust in you if they see your focus and character change when facing a difficult situation.

Purpose helps companies maintain their *raison d'être* as they implement new, often rushed, measures. Purpose will be key to helping the teams act accurately. Now, millennials have joined the market as consumers, employees, suppliers and even shareholders. They seek to be part of something bigger, leave their mark in this world, and make positive contributions.

Knowing why your company exists, who its people are and how they do things will help forge bonds with those who can support you in remaining sustainable. Keeping these ideals at the center of your organization and your communications with clients, employees, suppliers, citizens and shareholders will help build a better connection between them and your own projects and company.

The companies reacting best to this situation are those that are basing their decisions on their purpose and values. Following your North Star will lead you to a safe harbor.

LISTEN TO YOUR STAKEHOLDERS

Their priorities have probably changed too. Watch them carefully and adapt your strategy and action plan to offer them value. Clearly respond to their new needs to strengthen your relationships with them in these challenging times.

Prioritize your stakeholders during this crisis. The goal is to keep them all at least moderately satisfied, but it is also true that, under such extreme circumstances, you must establish an order of priority to help you make clear decisions. In times like these, clients,

employees and financial suppliers are crucial. Once their priorities have been managed, you can devote time to managing your goods and services, citizens and shareholders.

UNDERSTAND THE EFFECTS OF COVID-19 ON MEGATRENDS, AND LEVERAGE THEM

This pandemic, as terrible as it is, has created an opportunity to accelerate your transformation plan to better align with megatrends. Reflect on how COVID-19 has accelerated global change, and identify where your company can find a silver lining.

We need to think about the crisis' effects on globalization management, a global problem that requires integrated solutions; self-management, which has been boosted by the necessary shift to teleworking; productive processes and information automation, which has leapt forward; use of technology, where we have seen increases in communications and 3D printing; the sharing economy, with voluntary work resurfacing as a solution; resource scarcity, particularly regarding health equipment, medicine and staff; regulation, which has increased in many countries around the world to respond to COVID-19; and political and socio-economic uncertainty. These are just some of many variables that should be taken into account.

ADAPT YOUR STRATEGY WITH CONTINGENCY PLANS FOCUSED ON WHAT'S IMPORTANT

Protect your cash flow. You will drown without liquidity. Ensure collection and payments. Eliminate all superficial expenses and work on a new zero-based budget that allows you to reassess senseless spending in

this new scenario. Externalize costs and plan for risk variables in such a way that, if there is no income, there will be no costs. Seek funding to guarantee the necessary liquidity for your activity.

Find Funding. To do this, your financial forecast must go beyond accounts payable and receivable. Make future projections based on balance sheets and a rolling fund to understand the impact on your liquidity, as well as the amounts and times to be financed. Be cautious, and ask for more money for a longer term than you think you will need. Cancelling a loan beforehand is easier than requesting more money or deferring payments later.

Let others help you. Any help is appreciated, no matter how small. These days, we are seeing proposals for deferred debt payments, financial aid, more flexible work contracts, more lenient collection deadlines by big companies, tax payment postponements, contractual condition negotiations and more. In uncertain times, seize each of these opportunities, protect yourself as much as possible and accept any help you are offered, as little as it may seem.

Plan your post-crisis. Define the crisis' impact on your sales. Are these sales recoverable once this is all over, or are these real loses? Defend your prices for the post-crisis era, and do not make the mistake of competing in prices only to wind up destroying value. Going back to the market in a good competitive position will depend on your actions, and omissions, during the crisis.

Focus on your clients. Call them, try and understand what is happening with them, ask them what they expect from you and what you can do to help.

Clients still have needs, even during isolation, so show them how you can adjust your offering to their new situation. Now is the time to show you support them and are on their team. We need sales to survive, and we need to build a strong foundation to help them recover as soon as possible. Adjust your offering and communicate this change so your clients know about it and can share their point of view.

Take care of your team. Your people make the company work, and their priorities have gone back to basics: Health first, then having the necessary income to get through the crisis, followed by job continuity and, finally, feeling like a part of the company that is acknowledged and close to the purpose. Prioritize these elements, and you will be able to engage them.

Cooperate with your suppliers. Behind every organization is a value chain, be it more or less extensive, that makes everything possible. You must cut costs and eliminate expenses you cannot afford, but in this context, you must also maintain a healthy relationship with them. Listen to them closely, explain your situation and agree on solutions to minimize damage to you both.

Get involved with citizens. The reputation you create during this crisis will be a relevant asset in the recovery period. Think of what your organization can do to be a part of the solution, then do it. Companies are corporate citizens that must be involved in the crisis and work to solve it.

Be clear with shareholders and investors. If you want them to strengthen their commitment to your organization, you must learn how the current situation has affected their expectations. Once you understand

this, be clear about your company's reality, your contingency plans and your post-crisis plans. Any and all investors are entitled to know about these plans, and they will appreciate reliable information and a medium-term vision.

Look inside. Analyze and activate all your capabilities. Carefully diagnosing the situation and focusing on maximizing your capabilities while minimizing costs will allow you to emerge from the pandemic and focus on a quick recovery. Everything else can be questioned and reoriented, as long as you keep your organization's principles intact.

Refocus your management and be agile. A sense of urgency is crucial. Everyone involved should understand that quickly reacting to challenges and focusing on continued business in the long-term is key.

Learn from this. Going through this process will allow you to gain new knowledge and obtain a better understanding of both your organization and the people in it. Include what you learn here in your daily work, and share the need to learn from the process with your team.

Innovate. Change is the most effective source of innovation. The more abrupt a change is, the more opportunities for disruption you see on every level. There will likely be innovations in business models, ways of working, use of technology, third-party partnerships and more. Use this time to incorporate innovation into your recovery roadmap.

Take care of your brand. The image stakeholders have of you is an asset that can prove very valuable during any crisis. What you do, how you do it and how you communicate it are all very important facets that should be understood by the right people.

Legal guarantees. Review your existing agreements with clients, employees and suppliers to learn about all the options you have to share risks, as well as about your organization's rights and obligations. In the case of an issue, negotiate terms for delivery, payment and collection due dates, service characteristics, etc., before breaching any agreement or creating conflict.

Lead with trust. This intangible asset cannot be found on your company's balance sheet, but managing it is key to ensuring your stakeholders will help you get through this situation and quickly recover post-crisis. Managing trust is vital, and for that, you must exercise leadership on the board of directors and organize your storydoing and storytelling around proximity and responsible behavior.

Communicate. There are many people paying attention to your organization. They want to know what will happen with their products, services, jobs, orders, loans, etc. They want to know what the company is doing, and there is no one better than the CEO to talk about it.

HOW TO INVOLVE YOUR STAKEHOLDERS TO EMERGE FROM THE COVID-19 CRISIS STRONGER THAN EVER

Crisis. According to the Merriam-Webster dictionary, a crisis is "an emotionally significant event or radical change of status in a person's life."

From an Eastern philosophy perspective, this concept is represented by a combination of the characters for "danger" and "opportunity." One of the keys to quickly renew yourself after this crisis is managing it as an opportunity, not just a tragedy.

Therefore, it is important to create and maintain key stakeholder relationships based on finding a collective solution and seizing the moment to fully convey your company purpose.

With this goal in mind, here are several recommendations:

Management and culture. Is suffering equal to growing? Not necessarily. It depends on how organizations manage a situation and what their previous culture is. Regarding management, we have already seen how some sacrifices must be made in order to emerge from this crisis stronger than before. The question is whether your organization is ready and willing to make them. Regarding existing culture, you have little management capacity; culture evolves very slowly. That said, you must quickly assess what type of culture exists and see whether it will help you emerge from the crisis or not.

Know your culture. Your organization's culture will be exacerbated by the crisis. If you have an optimistic organization, it will quickly start working on a solution and seek to discover hidden opportunities. People will work with energy, excitement and commitment. However, if yours is self-defined as an informed, realistic organization, it will manage the situation by minimizing risks out of fear, whether it be fear of not weathering the crisis, changing conditions or losing their jobs. You cannot change it now, but you must be aware of it in order to understand your management context.

Face the crisis. Do not dodge it, do not deny it; just accept it and go for it. To do this, there are three key pillars. First, you must minimize the impact. Second, correct everything that does not seem to work to get

it back on track as soon as possible. In the short term, quick reactions help keep teams busy and active. Third, you must change your focus, modify your perspective and find new solutions to exit the crisis quickly. You need a solution roadmap to share with everyone in the company. This helps your people feel as though they are working to overcome the crisis instead of focusing on perceived damages.

Bring out the best of your organization. Help your people understand that they are better than they think. Set challenges and constantly remind them of the organization's purpose. Define specific targets to help overcome the crisis. Bring out all their knowledge, capabilities and skills, then make them put them into practice. Everyone is contributing and everyone is important—and they should feel that way. Help them get there so they can prove to themselves how valuable their contributions to the company are.

Create bonds. Now is the time to create partnerships, unite people and strengthen their ties to one another. Times of crisis truly clarify who really contributes and who does not, who acts as the driving force behind your organization and who is a burden. Seize this opportunity to reinforce bonds with all your stakeholders and build rapport with them, as they will be the ones helping you out of the crisis. Once this is all over, you will need to acknowledge and reward those who really went the extra mile, differentiating them from those who only did the bare minimum.

Choose your priorities without losing your essence. Putting things in order and making choices is the CEO's job. In times of crisis, where decisions and changes happen at a dizzying pace, you must be clear about

your short-term priorities while keeping your long-term goals in mind. Passion is ignited when these goals are really fulfilling, so try to avoid the kinds of urgent “survival-mode” reactions that can turn your company into a soulless structure with no purpose or passion.

COMMUNICATE

It may sound obvious but, in times of sorrow, individuals—as social beings—need to communicate, connect and maintain their bonds.

This is why it is necessary to communicate, have conversations, listen and deliver your messages in clear, responsible ways. This is true for both individuals and companies. With this in mind, below are five best practices to help you achieve this.

Listen, observe and understand the situations of others. Knowing and embracing them will make your communications more relevant and effective.

Speak only when you have something relevant to communicate. We are currently surrounded by noise, some of which is unnecessary and some of which is even negative. Relevant messages, however, are very much appreciated.

Clarity and brevity. With so many messages out there, brevity becomes the soul of wit. Whatever you say must be easily understood, and your message must focus on the essential.

Be consistent. Communicate what you are really doing, do not make promises and do not create expectations you cannot fulfill. Your communication channels should focus on real facts.

Portray a positive attitude. In harsh times such as these, CEOs must try to be a source of joy and opti-

mism. Send positive messages. Do not lie or sugarcoat reality, but share hopeful messages with those around you. This will encourage them to become more involved in your plans.

And then what?

There is no way to resort to a crystal ball and become a fortune teller, but general consensus indicates that this global crisis will have economic, social and political effects all over the world.

CEOs will soon be asked about their companies' futures and the main focus shifts in business models. This may be premature, but we can begin with changes related to the structure of globalization itself. This is due to the fact that many countries will want to repatriate critical value chains and knowledge and research centers that had been transferred abroad for the sake of their economies.

Changes in geopolitics. China leveraged the crisis and will emerge from it stronger, both politically and financially. The U.S. reacted late, but its economic power might turn its reactivation plan into the most powerful of them all. Europe is still in a maze, and the differences between the region's North and the South are blocking actions. Once again, they will miss the train.

Economic protectionism will likely rise during the economic recovery phase. Governments will want to lead societies and position them as role models of this new era, which carries the risk of going back to old formulas.

Citizens have experienced the dark side of populist governments and they will likely hold experts and

technocrats in high esteem in the following democratic cycles. Regardless of their political affiliations, citizens may value the presence of better administrators in roles of greater responsibilities. And this will also affect companies.

CONCLUSIONS

All CEOs are currently facing a challenge. They can see it as a risk and focus only on minimizing damage, or they can treat it as a somber opportunity, devoting every effort to maximizing the value creation in their companies.

The world will change, and we need to be one step ahead of the game. Fully leverage this shift, surf the wave to fulfill your duties as CEO and bring your company to a safe harbor.

To this end, you must be familiar with reality and listen to the key actors involved in your business. You need think hard and find the best roadmap, sharing it with your leadership to get everyone on board.

To fully deliver your message, you must communicate your purpose, highlighting your storydoing and values in a clear, transparent and proactive manner. Now is the time to engage your key stakeholders and move forward together.

It will not be easy, but it will be interesting.

5

**From anticipating crises to
revealing opportunities. How
to discover winning strategies
in the midst of social media noise
(16/04/2020)**

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**SECOND CHALLENGE OF POST-DIGITAL
COMMUNICATION**

Imagine that you work in the digital communications department of a company that is relevant in the market. Throughout the day, thousands of mentions on social media go through your monitoring tool. The entire online conversation about you is on your screen. The conversation on your own channels, and the conversation quoting a key word of your brands or the competition.

You have scheduled alerts to let you know when the references to your brands go above normal levels, or when specific critical comments about them are

published, or when influencers or activists take a stance on them. You have every risk under control. You know what to do in each case, whether it is customer care, media crisis, accidents, emergencies or activism. Great!

Now, think about it. Is it safe to say that almost every slide on your reports have your company as a protagonist, its brands and those of your competitors, at the most? How many of your slides deal with your stakeholders (clients, employees, suppliers, shareholders), whether they follow your profiles or not, or mention your company or not? Not many, right?

However, it is in those groups of citizens, consumers, investors or professionals where you'll find the revelations that will allow you to attract, link and create advocates for your brands. That's where you'll find your differentiation and loyalty strategies beyond all the noise.

This is the case because, in such a volatile and uncertain environment, it is no longer useful to set the focus on our brand, market or sector. Sometimes we need to encompass other territories, zooming out to gain some distance. Other times, we have to delve into certain communities, zooming in. In every case, we have to try and find new perspectives and different points of view, not always linear, including the wide margins of our environment and the tiniest details of our surroundings.

However, in corporate communication, it seems that we are still experiencing the inertia of defensive digitalization, more concerned about protecting reputation than promoting it. Or that we are still adjusting to the most important cultural change of digital transformation. That widespread idea, yet not

so well-assimilated, of putting people first in business decisions, before bureaucracies, interests and policies of the organization.

But social media, instant messaging, mobile apps, e-commerce... they are already a part of our lives. We live in a post-digital era that creates new communication challenges, for which we undoubtedly need to shift our focus. Let's see how we can do this.

DETRACTORS / PROMOTERS

First of all, a contradicting idea—maybe a hard one to accept—that we must embrace in order to flow naturally in the post-digital scene. Professor Kotler explains it well (2018):

When a brand stays true to its DNA and consistently pursues its target segment, the brand polarizes the market. Some become lovers and some become haters of the brand. But in the context of connectivity, a negative advocacy might not necessarily be a bad thing. In reality, sometimes a brand needs negative advocacy to trigger positive advocacy from others.

In his argument, Kotler gives the examples of McDonald's and Starbucks, two brands that, according to the YouGov Brand Index, have a "near balanced polarization." McDonald's, for example, has 33 percent lovers and 29 percent haters. Starbucks has a similar profile: 30 percent lovers and 23 percent haters. The remaining percentages would be passive. "Without both positive and negative advocacy, brand conversations would be dull and less engaging."

Everyone in communication and digital marketing knows this dichotomy. So, where shall we place our

focus? Watching and controlling detractors? Or discovering and empowering advocates? If we assume detractors are a “necessary evil,” the answer is clear.

SMALLEST VIABLE MARKET

Another powerful and counter-intuitive idea is related to the concept of “small.” Anyone thinking of digital economy probably pictures a globalized market of huge dimensions. An enormous Amazon with millions of products. An immeasurable Google with infinite content. However, its internal logic is quite far from the one followed by the mass market and, therefore, mass communication too.

As shown by Chris Anderson (2007) in his Long Tail Economy definition, it’s not about getting super sales in mass markets, but aggregating many micro-sales in niche markets, aligned with “mass customization” or “massclusivity.” The same happens with post-digital communication, which works more by aggregating small communities than reaching out to mass audiences.

There is no one better than Seth Godin (2019) to explain it: “The internet isn’t built around interruption and mass.” For him, “the relentless pursuit of mass will make you boring, because mass means average, it means the center of the curve.” This will surely lead to irrelevance, that is why he recommends to begin instead with the smallest viable market, i.e., the “minimum number of people you would need to influence to make it worth the effort.”

Godin understands marketing as “the business of making change happen,” but explains that “changing everyone is impossible.” This is why our key question here is, “For whom?”

We need to find that group of individuals with which we'll share a "vision of the world" aligned with their "internal narrative" of wishes, expectations and interests. That community of "neophiles" that will spread their sense of belonging to others. That "small viable audience" where we'll discover the advocates for our value proposition. Our reputation and the business of our brands will stem from there.

STAKEHOLDERS

Where can we find them? First, among our interest groups. The term was first coined in an internal memo of the Stanford Research Institute (SRI) in 1963, and kept evolving up to these days, finally consolidating in Edward Freeman's work entitled "Strategic Management: A Stakeholder Approach" (1984).

A stakeholder is defined as "any group or individual who can affect or is affected by the achievement of a corporation purpose" (Freeman, Harrison & Wicks, 2007). Primary stakeholders include clients, suppliers, shareholders, communities and employees. Secondary stakeholders (those who can affect the relationship of a company and its primary stakeholders) include the media, governments, competitors, social and civic institutions.

Upon analyzing the challenges faced by a company in its environment and business model, a map of stakeholders can be drawn, focusing on those with a favorable predisposition towards the corporate purpose and a positive influence in its fulfillment. These will be classified as our potential advocates or promoters for our brand. Among these stakeholders we'll find our "small viable audience" by studying their data.

SMALL DATA / BIG DATA

It is clear that we need to acquire, manage, study and visualize data on the individuals we want to turn into fans. Some data can be found in more or less structured large databases, generated by the different business processes. Other data can be pulled from mass conversations and content published in traditional and social media, and the rest of the information may be obtained through surveys and other quantitative studies conducted on representative samples.

In any case, we need to bear in mind the advice given by Gemma Muñoz and Eduardo Sánchez (2020): “We have to think big, but start small: «Small is the new Big»” (once again, the paradox around the concept of “small”).

Before data scientists and engineers engage in the acquisition and management of large amounts of information, and also before analysts start finding and visualizing the responses on that data, we have to think about the questions we must solve, the hypothesis we want to reject, considering the business model and environment.

“Small”, concrete questions to be set in motion, useful in the short term. We can define them by using qualitative techniques, like those employed by Martin Lindstrom (2016), author of the famous book *Small Data: The Tiny Clues that Uncover Huge Trends*. The Danish consultant works around his marketing hypotheses as a social anthropologist, asking questions to the members of the community and observing their behaviors in daily life.

Following that line of study, we can also resort to netnography, a term coined by Kozinets (2002) to

define participant observation techniques to the study of interactions and experiences manifesting through digital communications. And of course, resorting to the analysis of the customer journey in his or her relationship with the brand, identifying “pain points” and “moments of truth” through workshops and focus groups.

ADVOCATE OR PROMOTER PERSONA

At the end of the day, we are seeking to answer those questions that will allow us to shape the personal archetype of our “small viable audience.” In a similar fashion as in the design of the Buyer Personas, according to Adele Revella’s methodology (2015) we must look into the questions that will lead us to the design of our Promoter Personas within the selected stakeholders, to define the profile our brand advocates.

At this point, when observing, asking and experimenting with a qualitative representation of those stakeholders, we propose keeping in mind those element that attract, link and mobilize their “sense of community,” based on McMillan and Chavis’ research (1984), with contributions of other researchers in the fields of marketing and communication:

1. What are your expectations regarding a brand?

We know that the ability to relate to brand symbols, values and shared purposes is crucial for people to advocate for it. We also know that these must be shown not only in the company’s expressive behaviors but also in their actions.

In this regard, Lin (2008) analyzed the success factors of a virtual community and concluded that

the most determinant factor in promoting a sense of belonging is trust, defined as “the willingness of one party to be vulnerable to the actions of another.” Brand reputation, but also that of the sector, industry or market, has a huge repercussion in that sense of trust and belonging.

2. Who influences someone’s opinion about a brand?

Acknowledging a reciprocal influence between an individual and a brand is another key factor to create a bond. This is why it is crucial for brands to constantly put into practice listening, conversation and co-creating skills with people, the media and organizations that spearhead communication among their stakeholders.

In this regard, Brown, Broderick and Lee (2007) explained the influence of Word-of-Mouth in consumer decisions and attitudes through three key components: the weakness or strength of personal ties (in terms of reciprocal interaction in a digital environment), the homogeneity or heterogeneity of individuals who interact (based on shared interests and mental frameworks), and source credibility (perceived trustworthiness and expertise related to a particular topic). These are vital ingredients to keep in mind when addressing this matter.

3. What needs do you seek to satisfy in your relationship with the brand?

The sense of satisfaction of individual needs, reward and acknowledgement as a result of an interaction is one more element of McMillan & Chavis’ “sense of community.” When searching for our advocates, this must come first. Knowing what needs they want to

satisfy (and the key words they search online), but also what satisfied needs will trigger their recommendation to other individuals (which of them will spread through social media hashtags).

On this last topic, Berger (2014) studied the factors that promote word-of-mouth, and defined the six most relevant concepts: social currency, emotion, practical value, triggers, public, and stories.

4. What motivations do you have to connect with the brand?

Beyond extrinsic motivations (so often used in marketing through incentives and promotions), here we mostly refer to intrinsic motivations, which bring together the needs of the person and the offer of a brand, satisfying its sensation of mastery and autonomy (Pink, 2010). We speak of emotional gratification, as the feeling of emotional connection is one of the basics of a sense of community.

Overcoming critical situations, experiencing memorable circumstances and regular interactions with a positive emotional load strengthens individuals' adhesion to a brand. In the area of Customer Experience (Vv.Aa., 2017) this is very well promoted, since they are oriented towards managing their relationship with a brand in such a way that generates a good memory of the brand.

DESIGN THINKING

Answering all these questions will help us unveil the innovative differentiation and loyalty strategies needed to connect with our audiences in a post-digital communication environment saturated with noise.

As with design thinking, when applied to products and services. "A methodology that imbues the full spectrum of innovation activities with a human-centered design ethos," explains its promoter, Tim Brown (2008).

It all starts with empathy, understanding the problems, needs and desires of the users involved in the solution we are searching for. It all starts with our "small viable audience" of brand promoters and advocates.

6

Verbal brand identity: Positioning, attracting and winning over (24/04/2020)

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VERBAL IDENTITY: THE BRIDGE BETWEEN STRATEGY AND COMMUNICATION

With the arrival of COVID-19 and while people lock themselves away in their homes out of fear for their own personal health and their loved ones, brands are regaining our attention. We are seeing similar initiatives and content emerge and overlap in attempts to tackle a major communication challenge. Never before has it been so easy to speak, and never before could the results have been so costly.

What can your brand do to build a solid commercial and reputational recovery?

In times such as these, we need to remember that our brand is much more than just a logo or simple

advertising announcement: it is one of the company's most important strategic assets, responsible for building emotional relationships with people. Especially now, we yearn for a way to express authenticity and differentiate the brand so the organization's DNA can be conveyed, and connections built with stakeholders: verbal identity. A tool that employs linguistic and narrative techniques, empowering brands to tell their story and be perceived in a tangible and coherent manner.

Still the least well-known aspect of branding, verbal identity is the key to humanizing the brand and connecting it to its audiences. It is not "only" about doing and saying, but rather about knowing HOW to do it and say it. Because having a communication strategy is as vitally important for dealing with any crisis, as is implementing that strategy while protecting, conveying and strengthening your brand identity.

Has your brand built a verbal identity? If so, has it helped you more effectively respond to the challenges of COVID-19?

1. TONE OF VOICE

This is the way in which we express what we want to communicate. It encompasses the verbal, visual and attitudinal aspects of the brand that express what the company is like. It manifests through WHAT IS SAID by the brand (values and personality traits) and through HOW IT IS SAID (words, structures, expressions, idiosyncrasies). A tone of voice guide contains all the linguistic resources needed to express the company's attitude in any message, in any of the brand's communication channels and consistently over time.

Can you imagine if Ikea used “Sir” and “Madam” to address you or if the Cirque du Soleil had no music during its performances? Can you imagine if Nike encouraged you to binge watch TV series during this confinement?

A fine example can be found in Lowi, a virtual mobile operator of Vodafone in Spain, which has such a strong and recognizable verbal identity that its teams and agencies consider it to be the guiding principle when building brand communications. Lowi’s tone of voice is based on cool, empathy, informal speech and fun, all cross-cutting concepts that are reflected in all its content and that highlight the “customer-centric” strategy implemented by the company. The most interesting thing is that, despite being a virtual brand, it does not only apply its tone of voice to advertising campaigns and its social media but also to all the brand’s points of contact - the welcome letter sent to customers, router, call center guidelines, etc. - to create a coherent and memorable brand experience.

That consistency in the use of its own language is precisely what has enabled it to stand out from other competitors in a market saturated with similar products, where brands become the main distinguishing feature for companies.

The tone of voice of the brand has enabled Lowi to launch campaigns such as this latest one during the COVID-19 situation focused on social media: “If you stay at home, we’ll stay with you.” Why? Because the brand has already built a personality that is perceived by its customers and that enables it to launch initiatives aimed at achieving engagement and strengthening its position without jeopardizing its legitimacy. In the

campaign, Lowi identifies the social insights emerging from the crisis, such as sharing, balconies and messages of encouragement, and adapts its tone of voice to each social media.

2. BRAND MANIFESTO

This is a key component because it consists of a public declaration of a company's intentions and the strategic pillars on which it is based. It is an inspiring, emotional and courageous piece of communication material because it reveals the commitment made to others by the brand (to society and/or its customers). It is a "war cry" through which the brand conveys its vision and seeks to mobilize internal and external audiences to join forces. To develop a brand manifesto, you need to consider the values, personality and attitude of your company and respond to the role it plays in society.

However, a brand manifesto is not enough on its own because it is merely one piece of a larger jigsaw for which it must be a perfect fit. Those brands that have a powerful manifesto are those that have successfully made themselves stand out from their competitors and unequivocally transmit a unique personality with which consumers identify. This is the case of Estrella Galicia, a Spanish brand of beers that seeks to be a "Love Brand": the most-loved brand.

Estrella Galicia has a well-built identity and has successfully identified and consistently held on to its distinguishing characteristics: authenticity, traditionality and Galician quality. A part of its success lies in its ability to distance itself from the inherent standardization in the market and differentiate itself from other strong beer brands. How? By looking after

its product and by its vindicating and rowdy attitude. Estrella Galicia has perfectly enshrined this attitude and purpose in its brand manifesto.

Fragment from the Estrella Galicia Manifesto

Through its manifesto, the brand addresses those consumers who share its lifestyle philosophy. Unlike other companies that speak to everyone while running the risk of not mattering to anyone, Estrella Galicia takes courageous decisions. As the saying goes, “strategy is the art of sacrifice” and sacrifice is essential in a brand manifesto in order to make safe bets.

3. MESSAGING MATRIX

It will be key to illustrate the messages that the company should send with examples, guaranteeing communication that is in line with the brand identity and that generates recognition in the market. This matrix consists of standard messages aimed at training other people at the company and agencies to generate content while guaranteeing consistent communication. The success of any messaging matrix lies in knowing how to adapt tone of voice concepts to each communication channel and stakeholder group, because your brand should be flexible and capable of adapting itself to different audiences without losing its essence.

As an example of a brand whose global recognition can be largely attributed to its strong verbal identity, we have chosen Dove. In every country where it operates, this brand launches consistent messages centered around its concept of beauty: real beauty.

Dove’s voice is one of a brand that encourages women to create a world in which beauty is a symbol

of confidence, not frustration or concern. One of the keys to its success is based on the ability to consistently apply its unique and recognizable tone of voice regardless of the specific circumstances in question. The content and form of the messages used by the brand are undoubtedly the brand's insignia: uniform, positive, encouraging and focused on real beauty.

The fact that Dove not only has a well-built identity but also actively operates its brand in line with that identity has enabled it to achieve an indisputable market position. The brand has taken decisions, such as to stop using models in its campaigns and commit to training in order to improve the self-esteem of women and girls, that only further bolster its image.

Amid this Coronavirus crisis, Dove has launched its "Courage is beautiful" campaign to pay tribute to healthcare workers. This campaign seeks to stress that courage is beautiful and to continue challenging the aesthetic standards created by the media. Only a brand like Dove, which has built credibility and a unique space through its verbal identity, can launch such a campaign without seeming to be opportunistic.

4. NAMING SYSTEMS

The set of names used for your brands, products, services, campaigns, hashtags, etc. says a lot about you to internal and external audiences. Have you ever thought about the ecosystem of your brand's naming system? Does it enhance your value promise? Is it coherent across the board? You will most likely find naming systems in different languages, classifications and appealing to different semantic territories. This merely distorts your brand image. Creating any naming

system involves a strategic-creative exercise that considers multiple aspects and is so profoundly important that we will dedicate an entire paper to correctly cover this topic and explain the benefits of having guidelines on the creation of names.

What good is building a verbal identity?

The same examples we used before help us understand that only those brands that have built up a verbal identity over time can emerge stronger from moments of crisis.

A verbal identity will help us:

- Position the company in the market through consistent stories that unequivocally give life to the brand promise.
- Attract, impact, convince and sell. The way and manner in which the company addresses others is fundamental to creating an impact, being believable and connecting with others.
- Create rules and guidelines to enable and help teams generate content while guaranteeing brand coherence.

Everything described above are stimuli that will impact externally and, as a whole, will either strengthen the brand position or otherwise generate confusion and noise. Defining a verbal identity guide will help you ensure your brand is perceived in the way you want, in line with its identity.

Nonetheless, in spite of the good examples, we are seeing many brands during COVID-19 forget about their personality when venturing away from their usual communication environments. Their opportunity lies

in the opposite, in highlighting the value of the brand. Because a generic, incomplete or inconsistent brand identity makes it very easy for consumers to miss the message or confuse it with the messages from other companies. As is the case with people, if we cease to convey what defines us as brands, we will cease to have any impact on others.

In conclusion, if, after what you have read here, you would like to know whether your verbal identity is correctly defined, follow these three steps:

- Conduct a review of recent actions and campaigns. Can you identify your brand's personality in them?
- Look at the content of your online assets and replace the brand's visual components (logo, font, colors, etc.) with those of a competitor. Would anyone notice the difference between the two brands?
- Conduct a small survey to reveal the health of your tone of voice. Does the perception expressed by the public about your brand match its personality?

If you have answered "NO" to any of these questions, you have a branding challenge ahead that will become an opportunity to strengthen your brand position once you have successfully dealt with it.

Latin America Actuality Report: Three approaches to the pandemic (28/04/2020)

THREE APPROACHES TO NAVIGATING THE PERFECT STORM

As we transitioned into 2020, most global experts and political scientists were raising concerns that suggested Latin America was facing one of its regular periods of difficulty. Numerous theories were floated about widespread conflict that would devastate the continent to a greater or lesser degree. The economic situation was slipping into paralysis amid a broader context of social insecurity and inequality, along with democratic and institutional disaffection. Countries were turning inward while talk of confrontation and populism was putting a strain on diplomatic relations, adding a local slant to some of the issues that come with the new political and social era of the new century.

Against that backdrop, the unexpected world-wide arrival of the coronavirus is stirring things up further, clouding all judgment and forms of analysis. An already strained political and social climate with flat economic indicators is now joined by the threats posed by a health risk with unforeseeable effects on

the continent. No country anywhere in the world will emerge unscathed and the tough consequences of this pandemic will be felt strongest where structures lack the resilience required of a consolidated State and necessary for facing such a sudden, fast-spreading crisis with no immediate end in sight. Never has a maze been so complex and its exits so unclear.

In an attempt to draw you a map for this maze, three different authors with expertise on Latin America gathered from wide-ranging experiences and opinions offer three different approaches to navigating this perfect storm. Carlos Malamud, Eva Mateo and Ramón Casilda sketch out their broadest and most faithful outlines of the situation, and explore some of the possible opportunities that, according to classic proverbs, always emerge from a crisis.

Cristina Ysasi-Ysasmendi,
Corporate Director at LLYC

AN UNCERTAIN AND TENSE LATIN AMERICA (BEFORE AND AFTER COVID-19)

Carlos Malamud

History Professor at the UNED and Lead Researcher on Latin
America at the Elcano Royal Institute

The serious and diverse conflicts that arose in Latin America during the final months of 2019 have led to numerous and sometimes contradictory theories and interpretations about what happened. Nonetheless, a large section of the panorama changed radically

as a result of the impact stemming from the coronavirus pandemic, which I will discuss at the end of this document. In terms of the events that took place in 2019, the emergence in early 2020 of numerous doubts and questions about everything that happened was fully expected. Some are extremely far-reaching while others are more anecdotal and, by extension, less interesting.

The following are some of the most stand-out questions, although not everything can be included here: Is there a common pattern or single root cause to explain what happened throughout the region in 2019? To what extent did the contagion effect come into play? Did the shocks in Hong Kong, Catalonia, Iraq and Lebanon have an impact on Latin American protests? Were events merely a response to internal motivations or to initiatives driven from overseas, or a combination of both? The latter could lead to the imagination of far-reaching conspiracies and the existence of an international player that would directly benefit from this highly conflictive situation.

At the same time, many overseas leaders and investors are asking themselves over and over again where the next explosion will take place, whether certain conflicts could re-emerge (such as those in Chile or Colombia) and whether the two regional giants - Mexico and Brazil - will be affected. In fact, the image of Latin America as a stable and predictable region with normally functioning democracies - excluding certain shortcomings and the usual contradictions - has deteriorated in recent months.

In this attempt to remove doubts and clarify ideas, it should probably be pointed out first of all that neither

academia nor the centers of analysis and thought have yet produced a general and convincing interpretation of what happened. Starting there, it could be added that a good number of conflicts share several elements or ingredients in common, such as a delicate economic situation stemming from the commodities boom, inequality, disaffection with democracy, the frustration of middle classes, corruption, drug trafficking and public insecurity, and the impact of social media and the “new politics” in public opinion. That said, it can be seen that the very same ingredients mix differently in each case to produce conflicts (or recipes, to continue the culinary metaphor) that vary in nature.

Considering the complete lack of a common pattern, let's say that some were started by strictly economic triggers, such as the withdrawal of fuel subsidies in Ecuador or the increased metro prices in Santiago, while others in Colombia or Haiti stem from a combination of economic demands with other political and social demands. Of course, this does not mean that the latter will not spread elsewhere following the initial outburst. Whereas there were political reasons in Peru, Bolivia and the Dominican Republic, the conflict in Mexico was a result of the fight against drug trafficking and public security.

While social anger in certain countries led to huge street protests, including outbreaks of major violence (Ecuador, Chile, Colombia, Bolivia and Haiti), the conflict in others stemmed from specific initiatives by certain political leaders (the Dominican Republic and the desire from former President Leonel Fernández to stand for election again despite losing in the primary elections) or the superior fire-power demonstrated by

drug cartels against the State security forces (Mexico, and the capture and subsequent liberation of Ovidio Guzmán, the son of El Chapo). Neither should we forget the impact of corruption and the political struggle that led President Vizcarra to dissolve Congress and call new elections. However, and despite their major differences, all these situations had a strong impact on public opinion in the countries affected (and even in those not affected), leading to feelings of social anxiety compounded by uncertainty.

A number of analysts link these protests to neo-liberal policies, especially economic policies and tie them to the wave of movements directly challenging capitalism that are emerging worldwide. If this were true, the exceptional nature of Latin America usually cited as a means to avoid certain painful issues would have to be sidelined. At the same time, while the International Monetary Fund (IMF) and its adjustment policies are active in Ecuador, the IMF is neither present nor expected to take action in Chile or Colombia. On the other hand, the IMF is far more active in Argentina where the debt mountain is much larger, but there was no disorder in this country as election polls suggest a change of government.

A good number of these factors can be tied in one way or another to the frustration of the recently emerged middle classes in a context of economic paralysis or deceleration. An end to the boom times brought by high raw material prices - fundamentally due to the demand from Asia, China in particular - has forced governments of all colors to cut subsidies and place restrictions on the public and clientelistic policies that had enabled them to win one election

after another. In fact, the 2017-2019 election cycle was partly characterized by victories for officialist policies in only five of the 15 countries where elections were held. Acting presidents were re-elected in three (Honduras, Venezuela and Bolivia) and fraud was suspected in all cases, which led to the suspension of elections in Bolivia. The serving parties held on to power in the other two (Costa Rica and Paraguay). Not only that but these officialist difficulties led to close results in many elections. Fragmented parliaments are also common, which not only make governing difficult but also create problems when trying to undertake a series of reforms that could be crucial to leaving the current turmoil behind.

The rise of significant numbers of poor people into the middle classes - an important factor in legitimizing democracy - led vast sections of society to support new and more sophisticated economic, social and political demands, together with a stronger demand for quality public services (healthcare, education, housing, transport, security). Regional GDP rose by a mere 0.1% in 2019, broadly due to the situations in Venezuela and Argentina but also due to poor performance by Brazil and Mexico.

As Patricio Navia said in Chile in reference to the situation in his country, but with a phrase used extensively throughout the region, "the middle class has seen the promised land and wants in." I would add that, at present, they feel they have been left at the gates to paradise without being able to walk through, which is generating added frustration and explains some of the recent outbreaks of violence. The clearest evidence lies in the continued presence of inequality and its

reluctance to fall in spite of certain progress made in the previous period. The wealth of a few opposed to difficulties for the many highlights the offensive way in which certain unfair and unequal social and employment relations are experienced in many countries.

This frustration leads to disaffection with democracy and its institutions, beginning with political parties, parliaments and the justice system, which are all viewed very poorly. Latinobarometer has been consistently and constantly measuring this for the last eight years. Furthermore, ideas that the politicians in power govern in the best interests of a few without looking out for the common interest of all and that social movements are preferable to political parties are extremely widespread in the public opinion of various countries.

A greater focus on social movements in detriment to political parties has a strong impact on both the form and method of protesting and on the chance of finding a negotiated exit from the conflicts. Many movements lack clearly defined leadership, which creates difficulty for governments seeking to find effective channels of negotiation. This has repeatedly been the case in Chile. On the other hand, the Government of Ecuador led by Lenin Moreno was able to reach an agreement with the Confederation of Indigenous Nationalities of Ecuador (CONAIE) to end the street violence in Quito and other major cities throughout the country.

Corruption, drug trafficking and organized violence, and their effects on public order and security, have climbed the list of public concerns. Thanks to Odebrecht and the presence of Brazilian and Mexican cartels beyond their borders, both phenomena have

ceased to be domestic problems and become regional threats that demand coordinated inter-governmental responses. However, the increased fragmentation and differences emerging from the 2017-2019 election cycle are making even the smallest level of consensus difficult, even on such pressing issues as the fight against these two major blights on society.

Finally, the presence and pressure from social media on the spread of protests. The song entitled 'El violador eres tu' - the new feminist anthem in Chile - has not only become a viral phenomenon that spread worldwide but also yet another expression of the discontent that exists among a number of diverse movements. This is not the only case. The same can be said of the song entitled 'O Bella Ciao', with the Joker masks and with "the look" and covered faces of the most radical protesters, from one city to another in Latin America but also from one country to another around the world.

Then we come to the various conspiracy theories or the presence of foreign agents and activities in the spread of conflict, chaos and violence. Although the second in command of the regime in Venezuela, Diosdado Cabello, spoke of the "Bolivian winds" that blow in Latin America and of potential action by the São Paulo Forum and its organizations in the revolts, Venezuela lacks the organizational and economic capacity to undertake this kind of action. As there are conflicts that affected neo-liberal governments, such as Chile or Colombia, neither should Bolivia and the Bolivarian Evo Morales be forgotten, who was forced to stand down. Hence, there is neither room for Castro-Chavist conspiracies nor the CIA and US imperialism.

What have indeed come to pass, and continue to exist, are very complex situations that could be repeated in any country, as demonstrated by the resumption of protests in Colombia. Neither can the re-emergence of strife be ruled out in Chile from March following the end of the summer holidays and the return to school. The resolution of these conflicts, which would involve ending some serious imbalances, starting with inequality, cannot be achieved without commitment and active participation from the national elite. When I speak of the elite, I do so in the broadest possible sense and refer to the traditional and most modern elite, but also the economic, social, political, cultural, sports and all other forms of elite who are the ones that need to actively involve themselves if they do not want the current situation, and with it their country, to spiral out of control.

Then came the coronavirus... and everyone stopped

A considerable amount of everything said above changed radically when the COVID-19¹ pandemic arrived. It is true that Latin America had a highly significant advantage - the time factor - owing to the delayed arrival of what was already happening in China and then Europe. The region was not only able to learn from the experience of others but also apply much tougher and radical containment measures earlier on in the various stages of the spread of the virus.

1 See Carlos Malamud and Rogelio Núñez, COVID-19 in Latin America: political challenges, trials for healthcare systems and economic uncertainty, Elcano Royal Institute, ARI 27/2020 - 17/3/2020, http://www.realinstitutoelcano.org/wps/portal/rielcano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/ari27-2020-malamud-nunez-covid-19-en-america-latina-desafios-politicos-retos-sistemas-sanitarios-e-incertidumbre-economica

Nonetheless, most countries in the region are in a situation of greater weakness when compared with other regions in the world when tackling this crisis. On the one hand, this stems from the weakness of States in this region and, on the other, from the limited economic growth in recent years. Furthermore, the excessive presence of an informal sector in their economies means that those involved in this sector face greater danger through increased vulnerability. At least for now, the primary export sector will also suffer due to the paralysis affecting the more developed countries, including China, the United States and the European Union (EU).

One of the consequences of the outbreak of this pandemic is that a large number of the conflicts discussed in the first part of this document have either been quelled or postponed due to the nature of the crisis and its far-reaching public repercussions. In light of the healthcare emergency, the economic uncertainty regarding the immediate future and the social distancing measures meant protesters were forced to leave the streets, and this was accompanied by a significant reduction in political and social protesting. Even before the State of Health Emergency was imposed, all sorts of elections and political consultations had begun to be postponed. Paraguay was the first country to delay its municipal elections, followed by Chile, which postponed the constitutional referendum, and Bolivia, and its presidential elections.

In reflection of events elsewhere in the world, a policy of “every man for himself” is gaining traction in combination with national and localist solutions. This obviously detracts from the applicability of coordinated responses in Latin America, something that is

compounded by the crisis currently afflicting the entire regional integration process. In fact, supranational initiatives have been few in number until now and those that have existed are limited to those taken by the Pan-American Health Organization (PAHO). Other than that, only the will of Prosur to seek convergence in public health policies can be mentioned in this regard. This goal was promoted by President Sebastián Piñera during a video conference attended by the majority of South American presidents. However, a lack of involvement in this endeavor from the two major regional powers is regrettable, either because it does not form part of Prosur (Mexico) or because it was only represented by its Minister for Foreign Affairs (Brazil).

The crisis is being used to scrutinize leaderships throughout the region. Some presidents have implemented the wrong strategy and will almost certainly be questioned harshly when this nightmare is over. The most high-profile cases include Jair Bolsonaro in Brazil, Daniel Ortega in Nicaragua and even Andrés Manuel López Obrador in Mexico. Others on the other hand, such as Martín Vizcarra in Peru or Alberto Fernández in Argentina, who are demonstrating strong leadership skills, have been able to take charge of the full weight of State apparatus and even unify government and opposition in such an unfair fight. Nayib Bukele is another notable example, given his enormous capacity to communicate, who seems to be in permanent election campaign mode and transmitting a clear populist message to win over the most disadvantaged sections of society in El Salvador.

I concluded the previous section by talking about a responsibility for the elite. In the case of the COVID-19 crisis, it will be possible to genuinely measure their

level of commitment to their countries and their societies when the pandemic has been brought under control and the time comes to rebuild. It should be said that this will also depend on whether the conflicts I spoke about at the start of this document, and now momentarily silenced, will have been forgotten forever or will have simply passed through a period of forced hibernation.

LATIN AMERICA 2020: A SOCIETY BEING TESTED

Eva Mateo Asolas

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This article should have started with Venezuela and the serious humanitarian, political, economic, military and diplomatic emergency the country is currently going through. Or with the migrant crisis, drug trafficking and structural violence triangle in Honduras, Guatemala and El Salvador. Or the shouts of "Chile, wake up!" that still echo around the Plaza Italia in Santiago. Or any of the numerous other open wounds in Latin America at the start of 2020. This article should have begun with a chessboard and pieces set up like that. However, the coronavirus pandemic has changed the rules of the game.

As I write these lines, COVID-19 has already spread like a bad stain and reached every corner of the region. It could be said that Latin America and Africa - the regions to be hit last by the pandemic - have watched Europe, Asia and the United States from a distance for days and seen their own possible future:

societies in lock-down, watching the climbing numbers of infected, dead and hospitalized, competing in the market for the same face masks and ventilators, with millions of jobs balancing on a knife edge. However, they have also witnessed incredible efforts from doctors, nurses, scientists, politicians and truck drivers giving everything they have to give on the front line of this emergency, anonymous heroes lending their homes to healthcare specialists arriving from other regions or going shopping for their elderly neighbors so the latter can avoid potential exposure to the virus unnecessarily, and the emotional rounds of applause from the balconies of half the world, every day at eight in the evening to blow wind into the sails of those looking after all of us.

When the coronavirus reached Latin America, the chessboard and pieces were already laid out. Preventive confinement has been the main barrier against the spread of this virus. With public health systems much less robust and per capita spending in the region three times lower than in the European Union, unequal access to healthcare is now the main bone of contention: universal health coverage in the region varies between relatively positive rates in countries such as Cuba, Uruguay and Brazil to others where health spending depends to a great extent on the pockets of each individual, such as Guatemala and Haiti. If people do not visit healthcare centers to be diagnosed or treated even if they show symptoms of coronavirus because they lack the resources to pay for that service, infection in Latin America will spread like the plague. Furthermore, the shortage of hospital beds in intensive care units is a reality.

Nonetheless, some rays of hope shine through the clouds. Cuba has sent medical brigades to Italy and other Latin American countries to help combat the pandemic. The scientist from Panama, Ana Sánchez Urrutia, has been selected to sit on the World Health Organization Committee of Experts. The Centre for Genetic Engineering and Biotechnology (CIGB) in Cuba and the Clinical-Molecular Biomedicine Technological Consortium of Chile are leading the region in its search for a vaccine against COVID-19. Scientists in Chile have created and released an antiviral face mask for 3D printing that is reusable, modular, washable and recyclable.

Paradoxically, Latin American universities are on the forefront of research against COVID-19 at a time when the Closed sign hangs on classroom doors. At the time of writing this article and according to UNESCO data, more than 122 million Ibero-American students have been affected by the suspension of classes due to the coronavirus. Higher education access exams will suffer considerable delays. Online education methods are the only alternative, but not all teachers and households are prepared for this kind of education. Experts are already making the calculations in economic terms: 88 days of no primary school for pupils in Argentina represents a 2.99 % reduction in their salaries when they reach 30-40.

In short, this crisis has done nothing but create further imbalance in the already fragile social environment of one of the richest and most diverse but also most unequal regions of the world, where the richest have 70 times more than the poorest (in countries such as Guatemala).

According to the report entitled Social Panorama in Latin America 2019 by CEPAL, three out of ten Latin Americans are poor, a total of 191 million. Furthermore, Latin America has already recorded five consecutive annual rises in extreme poverty: 72 million people live on less than US\$1.90/day in the region. A red light has been lit in countries such as Brazil and Colombia, where the inequality gap stands above the regional average. This is also true for the most vulnerable: women, children and teenagers, the indigenous populations and those of African descent, the unemployed and those living in rural areas.

These figures threaten the commitment made by all to development. Whereas the world achieved the first Millennium Development Goal to halve the poverty rate recorded in 1990 five years ahead of schedule in 2010, global growth forecasts already suggest that we might not put an end to extreme poverty by 2030 in time. The Sustainable Development Agenda would therefore suffer its first setback.

With that in mind, it has become more urgent than ever for Latin America to make progress towards building Welfare States capable of guaranteeing equal access for its citizens to essential public resources, such as healthcare, housing, employment, transport and, of course, education.

Education is undoubtedly the biggest challenge for Latin America. This challenge can be split into three areas: improving education quality; promoting student mobility; and transforming economies that still depend on raw materials into knowledge economies capable of improving the incredibly low competitiveness in the region.

Invest more, but also invest better. This is the message launched by the Inter-American Development Bank (IDB) when highlighting that public investment in education in Latin America and the Caribbean has grown 20 % faster than the OECD average. However, the other side of that coin shows that the budget allocated by Latin America per student remains much lower than that figure.

Nonetheless, the efforts made in recent decades have indeed produced results: practically all Latin American children attend primary school and almost eight out of ten attend secondary school. Something that still needs more work is the effort to reduce the number of students needing to repeat a year of schooling, which stands at an unsustainable 29%. Further concerns are reflected by recent PISA reports: Latin American students are incapable of solving real life problems. 80% fail in reading and mathematics.

The correlation between the results achieved in the classroom and the socio-economic status of the household in which the student lives is directly proportional: social exclusion springs from the same source and drags down on the future opportunities of these children. Pre-school education is therefore more necessary than ever to reduce inequality early and move towards fairer and more balanced societies.

Furthermore, efforts are still to be made in higher education: there are more than 30 million university students in the region today, many of whom are the first in their family to step into a university. All eyes - not only those of their families - are on them. However, the quality of the education they receive while studying their bachelor's and master's degrees

is dubious. Rankings such as the latest by The Times reveal that, of the 1,400 best universities in the world, Latin America only has one among the top 400: The University of São Paulo.

What are being called “garage universities” can be found everywhere throughout the region, which are set up with no form of quality control whatsoever. Countries such as Mexico have the incredible figure of up to 4,000 higher education institutions. At the other end of the scale, a mere 12% of university professors in Latin America hold a doctorate. Education urgently needs to be made into an attractive option for the best university graduates. Those who teach also need to have received training.

Obstacles to mobility also need to be overcome. At a time when Brexit is now a reality, we can say with all certainty that nothing has done more for European integration in half a century than the Erasmus academic exchange program. Over three decades, this program has enabled more than nine million students to improve their language levels, critical capacity, tolerance and understanding of other cultures, and employment opportunities. However, such a program is unthinkable as things stand today in Latin America, where the incompatibility between university systems, the lack of qualification recognition between countries and the lack of resources prevent students from moving beyond the borders of their home country.

This same shortage is suffered by science and R&D+i in Latin America, with merely 0.79 % of regional investment. Universities also represent the cutting edge in this regard, as they account for the largest

number of national researchers. I should stress male researchers, because the gender gap is more than obvious. However, this also represents a major opportunity: the encouragement of scientific careers among Latin American girls and young women is a growing priority for the education systems of many countries.

Over its 70 years of working for, in and from the region (an unprecedented example of South-South multilateral cooperation), the Organization of Ibero-American States for Education, Science and Culture (OEI) has: helped to teach 2.3 million young people and adults to read and write; improved education infrastructures through projects such as Lights to Learn, which brought electricity and connectivity to remote schools in 13 countries; tackled the challenge of faculty quality by training over 100,000 Ibero-American teachers; supported over 1,800 university teachers and researchers throughout the region; enabled more than 500 students to study at universities in another country; and, in recent days, made dozens of free-to-access education resources available to teachers, students and parents free of charge so that the suspension of classes due to the coronavirus leaves nobody behind.

In these uncertain times, the “social elevator” theory (improving education = improving opportunities) has stopped working: education is no longer the guarantee of a better life. Whereas the pay difference between Latin Americans who finished primary education and those who completed a course of university study varied between 95 and 115 % seven decades ago, that difference has been reduced to 70 % today. The

expectations of the increasingly more educated middle classes, with legitimately more aspirational dreams, will therefore need to be managed.

The migration phenomenon is another of the problems that has continued to trouble Latin American societies. The United Nations raised the alarm this year with record figures for displaced and refugee populations. Someone is forced to flee their home somewhere in the world every two seconds, up to 70.8 million people. Colombia is the second country, after Syria, with the highest number of forcedly displaced citizens: eight million people have been forced to abandon their homes. More than four million Venezuelans have also left their old lives behind due to hyperinflation, food shortages, political instability and violence.

However, extreme climate - not violence - is the main reason for internal displacement at present. Latin America is one of the regions in the world with the greatest exposure to climate change. According to the Internal Displacement Monitoring Centre (IDMC), prolonged periods of drought, frequent flooding and hurricanes in the region displaced 4.5 million Latin Americans in 2017.

Environmental policies to combat climate change, such as those in Uruguay, already consider the relocation of vulnerable communities living in areas of greatest risk. Civil society is also mobilizing. Before Greta Thunberg, Latin America always had indigenous communities reporting that their lands were being plundered for farming or mining operations. However, the price of defending the planet in Latin America is the highest in the world: 1,500 environmental activists

have lost their lives since 2012 (“Enemies of the State?” NGO Global Witness, 2019). One of the most recent (in January), Homero Gómez González, was a Mexican agricultural engineer who set up a shelter in Michoacán to protect the Monarch butterfly. His family reported the harassment they were being subjected to by companies engaged in tree felling.

Feminism has also left its mark in the last year. In the deadliest region of the world to be born as a woman, the “Un violador en tu camino” anthem has spread from Argentina to Mexico, ensuring that protests against sexual violence and aggression go viral, holding up a mirror to male chauvinist societies in which people are stepping up to say enough is enough. Social media have provided a channel for all these activist movements, not surprisingly given that Latin America is the part of the world where people spend the most time online.

Communication has always played a key role, and not just for the digital revolution or the fake news menace. It is only fair to underline the fact that, in a world where 40% of the population does not receive an education in their mother tongue and a language disappears every two weeks, Ibero-America is the region of the world where 800 million people communicate, live and dream in Portuguese and Spanish, as well as hundreds of indigenous languages. Spanish is the second-most spoken mother tongue in the world, and Portuguese is the second mother tongue present on the most continents. If the forecasts are correct, one billion people will speak these two languages by the end of the 21st century, being among the fastest growing at the moment.

Reading Plan of Ecuador that has made books available for free download; through virtual tours of certain exhibitions in Mexico organized by its Secretariat for Culture.

The Spanish language contributes more than tourism to Spanish GDP, and it has been shown that it quadruples trade exchanges in those countries where it is spoken. Cultural industries tied to these two lingua francas account for 3% of the economies in Ibero-America, create jobs and attract tourism. That is not all: all these figures aside, they also promote cultural diversity and human development. Culture in Ibero-America is a more vibrant industry than ever, it represents heritage of exceptional value and contributes to a culture of cohesion, dialogue, knowledge production and overcoming poverty. In these coronavirus times, culture has become more necessary than ever before: from virtual platforms such as Retina latina in Colombia and the Costa Rican Centre for Cinematographic Production, which have recently been sharing the best of their Spanish-language film content for cinema enthusiasts; to the National Book and Reading Plan of Ecuador that has made books available for free download; through virtual tours of certain exhibitions in Mexico organized by its Secretariat for Culture.

In conclusion, Latin America is facing its uncertain future like the utopian horizon discovered by Eduardo Galeano: the closer we get, the further away it moves. At this juncture, with the new challenge left to us by the COVID-19 pandemic, the portrait of this region could well be very different in terms of equality and social interaction. And better in terms of knowledge generation and opportunities. And education, science and

culture, the path. So, from an optimistic standpoint, we could take 2020 as a bonus track; another chance to get better grades from the exam of this decade.

LATIN AMERICA AND THE ECONOMIC IMPACT OF COVID-19

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1. Latin America and its new post-COVID-19

In 2019, Latin America recorded Gross Domestic Product (GDP) growth of 0.1% (Table 1). This figure reflects the weakness of recent years owing to a context of particular complexity, which showed widespread and synchronized economic deceleration in different countries and sectors, concluding six consecutive years of slow growth.

A downturn in internal demand was estimated for 2020, accompanied by poor aggregate overseas demand and more fragile international financial markets. Certain structural and cyclical factors lie behind this weak momentum. From a structural point of view, potential growth remains limited by low investment and slow productivity growth, along with poor infrastructure and education quality. From a cyclical point of view, growth has been curbed by slower global growth, raw material prices, considerable uncertainty in economic policy, economic rebalancing in certain economies and social malaise in others.

Meanwhile, although international bodies (IMF, WB and OECD) were issuing warnings about the global economic situation and their forecasts for slower growth, it was thought that the toughest moments had almost passed, and that the global economy would soon make a comeback. An end was in sight to the United States-China trade war and the Brexit battle.

But then the unexpected happened. A yellow swan appeared in the city of Wuhan (China) in late December 2019, where a new coronavirus and the corresponding disease - COVID-19 - emerged, which the World Health Organization declared as a “global pandemic” on March 11 2020. For at least the second time, China was the source spreading fear around a world exposed to epidemiological risks. COVID-19, and SARS before that, are having obvious consequences on health around the world.

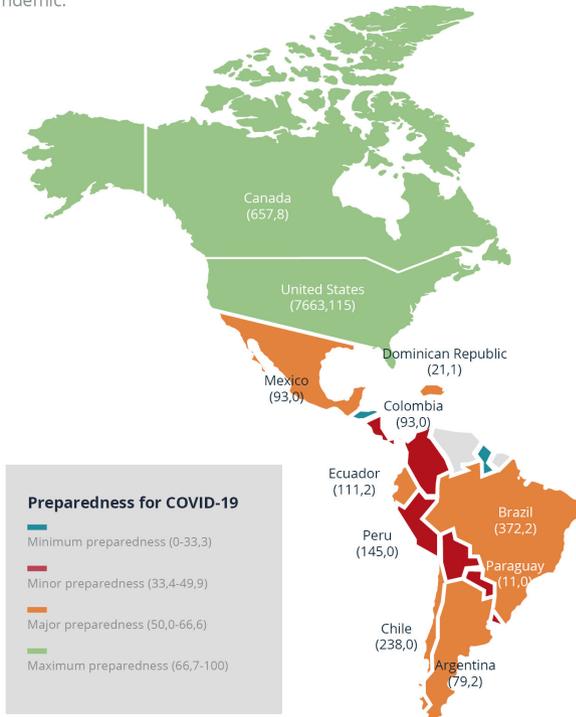
The virus is inflicting enormous and growing human costs worldwide. To protect lives and enable healthcare systems to deal with the situation, it has been necessary to resort to isolation, confinement and widespread closures aimed at slowing the spread. The health crisis is seriously impacting economic activity. As a result, it is expected that the global economy will suffer an abrupt 3 % contraction in 2020, much worse than was recorded during the financial crisis of 2008-2009. The base scenario - in which the assumption is that the pandemic will dissipate during the second half of 2020 and containment measures will be gradually lifted - projects that the global economy will grow by 5.8% in 2021 as economic activity returns to normal thanks to the support provided by public policy incentives (IMF. World Economic Outlook. WEO, April 2020).

The pandemic began to be felt in Latin America towards the end of February 2020, when the first cases were detected. Since then, the number of those affected has spread and continued to grow. Initiatives have been launched by the various countries on multiple fronts.

Besides strengthening health policy, containment measures are also being taken, such as closing borders, schools and other confinement measures. The level of preparedness in countries to deal with COVID-19 can be seen in the following image.

Ready and prepared

Canada, the United States and the Latin American nations have varying levels of preparedness for the COVID-19 pandemic.



Sources: Worldometers.info, Global Health Security Index; and calculations by expert IMF staff. Note: The figures in brackets represent the number of confirmed cases and the number of deaths at 18 March 2020.

This situation, which drastically reduces economic outlooks in Latin America, is compounded by disruptions to the supply chain, falling raw material prices, a shrinking tourism industry and lower exports, as well as tougher international financial conditions that are paralyzing activity in many countries.

For the region, this impact is having extremely serious consequences. The same can be said of the unknown deceleration of the Chinese economy (which will grow a paltry 1.2 %), its most important trade partner, which issued loans in excess of 141 billion dollars between 2005-2018, almost as much as it did in Africa. That aside: The pandemic threatens to become a genuine catastrophe for the poorest and most vulnerable countries. This is why the most developed countries of the world (G7) have given the green light for approval of a temporary suspension to the servicing of debt held by the most vulnerable and poorest nations. China should do the same with Latin American countries; its plentiful financial resources and reserve level of 2.75 trillion euros, would allow this. Now let's move on.

To think that, only a few months ago, the IMF (World Economic Outlook Update, January 2020) had forecast growth for Latin America of 1.6 % in 2020 and 2.3 % in 2021. Although there were signs of some moderate growth, this will unfortunately not come to pass. In fact, forecasts have been rudely interrupted. Everything has drastically changed and now the region will shrink rapidly by 5.2 %.

By country: Brazil is showing a decline of 5.3 % (it grew by 1.1 % in 2019), also affected by the steep fall in oil prices, although it will bounce back by 3.4 % in 2021 if its base scenario is met with a gradual return to normality towards the end of 2020.

Latest projections for Latin America and the Caribbean

(GDP growth – real, percentage)

	Est.		Projections		Difference from projections in the WEO report of October 2019	
	2018	2019	2020	2021	2020	2021
	Latin America and the Caribbean	1,1	0,1	1,6	2,3	-0,2
Excluding Venezuela	1,8	0,8	1,9	2,4	-0,2	-0,1
South America	0,5	-0,2	1,5	2,3	-0,2	-0,1
Excluding Venezuela	1,4	0,9	1,8	2,5	-0,2	-0,1
CAPRD	3,9	3,2	3,9	4,0	0,0	0,0
The Caribbean						
Tourism dependent economies	1,8	1,4	1,1	1,9	0,0	0,0
Raw material exporting countries	0,6	0,9	17,9	2,8	0,0	0,0
Latin America						
Argentina	-2,5	-3,1	-1,3	1,4	0,0	0,0
Brazil	1,3	1,2	2,2	2,3	0,2	-0,1
Chile	4,0	1,0	0,9	2,7	-2,1	-0,5
Colombia	2,6	3,3	3,5	3,8	-0,1	0,1
Mexico	2,1	0,0	1,0	1,6	-0,3	-0,3
Peru	4,0	2,4	3,2	3,7	-0,4	-0,3
Venezuela	-18,0	-35,0	-10,0	-5,0	0,0	0,0

Sources: IMF, World Economic Outlook databases and calculations by expert IMF staff. Notes: the regional aggregates are weighted averages per GDP based on PPP. CAPRD = Central America, Panama and the Dominican Republic. South America. Excludes Guyana and Suriname. Tourism dependent economies: Antigua and Barbuda, Aruba, the Bahamas, Belize, Dominica, Granada, Jamaica, Saint Kitts and Nevis, Saint Vincent and the Grenadines and Saint Lucia. Raw material exporting countries: Guyana, Suriname and Trinidad and Tobago.

The economy in Mexico will shrink by 6.6 % (following a contraction of 0.1 % in 2019), affected by the slump in oil prices and consequences of the expected recession in its main trade partner, the United States, which will shrink by 5.9 %. Furthermore, there will be lower exports and the Trade Treaty (T-MEC), which was seen earlier in the year as a driving factor for the economy, will not have the expected results for the time being. In turn, the ratings agency Moody's decided to lower Mexican debt to Baa1 with a negative outlook, while Fitch did

something similar, setting it to BBB-. Moreover, Pemex is now the most indebted oil company in the world and will become the largest public company in history to have its investment grade lowered to speculative.

Argentina will post another decline, this time of 5.7 % (down 2.2 % in 2019) against a complicated and delicate fiscal backdrop. It is busy negotiating foreign debt under overseas legislation that amounts to 66.24 billion dollars and 83 billion when including the bonds governed by local legislation, the payment of which will be postponed to 2021. Standard & Poor's decided to lower local currency debt to "selective default" and has maintained foreign currency debt as high risk with a negative outlook (CCC-). It should be noted that Argentina is a country that suffers the need to export to China, meat in particular. In 2019, 75 % of its beef exports were sent to China (more than 400,000 tons). Reduced exports do not help renegotiate a foreign debt of more than 311 billion dollars, equal to 91.6% of its GDP.

Chile will shrink by 4.5 % (it grew by 1 % in 2019) and will suffer the effects of weak Chinese growth, its main trade partner and main copper buyer, consuming more than half of global production. However, the Chilean economy is among the best prepared because it already has organized fiscal and macroeconomic policies in place.

Peru will also shrink by 4.5 %, a victim of disruption at the most important companies in the mining sector. On average, the industrial metals it exports will lose 10.2 % of their value during the course of this year and an additional 4.2 % in 2021.

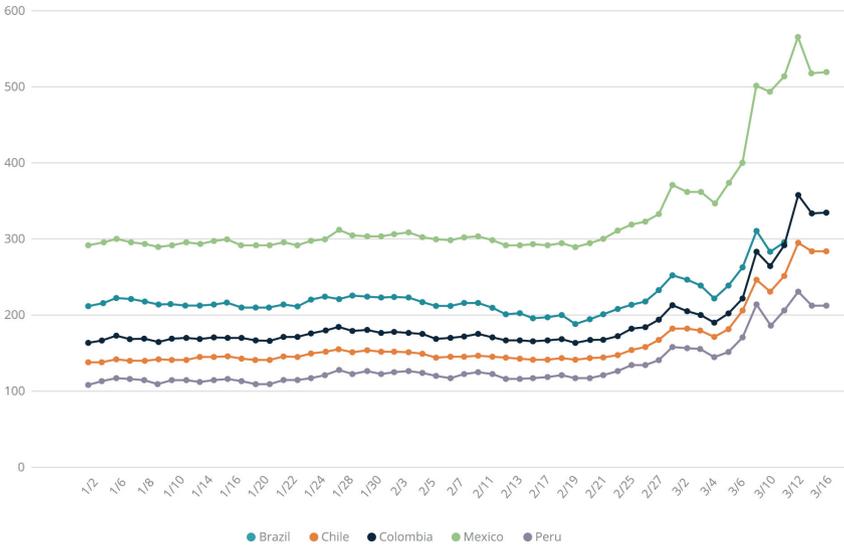
Venezuela, which remains immersed in an unending crisis that began several years ago, posted an alarming decline of 35 % in 2019 and is poised to shrink a further 15 % this year.

CHALLENGE: COVID-19

Channels of impact

The immediate economic effects in Latin America include the toughening of financial conditions, falling raw material exports and a shrinking tourism industry.

(Sovereign differences, EMBIG; basis points)

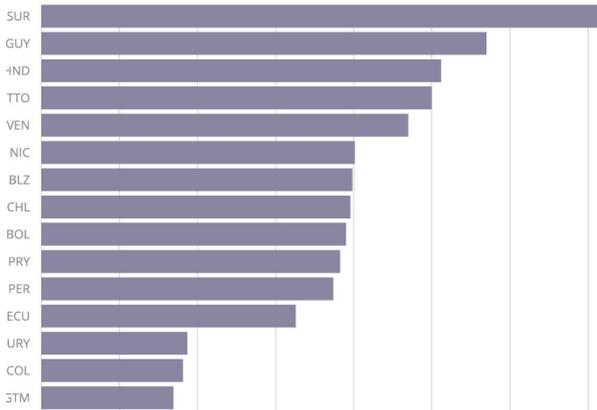


Source: Bloomberg Finance LP.

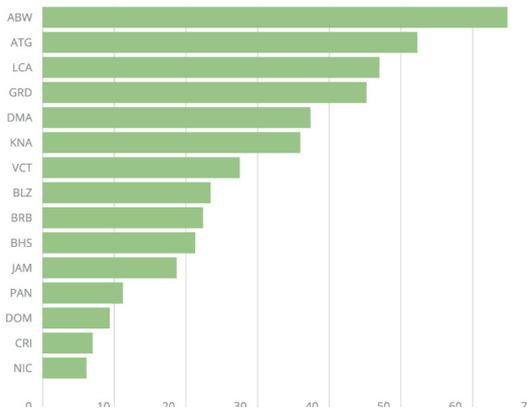
Note: The number series represent figures from January 2020 to March 2020

One important cause for concern in the region revolves around the financial costs of heavy borrowing in recent years, although the FED cut interest rates on 15 March 2020 to a target range of 0 % to 0.25 % in an attempt to stabilize a global economy that has failed to prevent risk aversion among investors and, consequently, currency devaluations and the fall of Latin American stock markets. However, this may be immediately reversible if good news emerges regarding the fight against the pandemic, such as the discovery of a “vaccine” or medicines capable of effectively combating the disease in the meantime. The services sector is another factor and will be the hardest hit part of the

economy, especially tourism, hospitality and transport. Given the huge number of jobs in these sectors, they will have an enormous impact on employment.



(Revenue from international tourism, % of GDP)



Sources: World Bank, Global Development Indicator databases, and calculations by expert IMF staff.
 Note: Latest published data. Includes the export of foods, fuels and ores and metals

Naturally, another great concern can be found in those countries with deficient healthcare infrastruc-

tures and limited room for fiscal maneuvers to expand public health services and support affected sectors and households. Within the scope of their capabilities, governments have taken economic, fiscal and monetary measures that imply increased social spending, lower interest rates, interventions in exchange rate markets, the suspension of bank loan charges, the issue of credit facilities for companies to pay wages, the freezing of surcharges for failure to pay water rates and actions aimed at avoiding a lack of supply of basic necessities, among others.

The priority for Latin American and Caribbean authorities is focused on avoiding and using all means possible to combat the economic and humanitarian crisis brought upon us by the pandemic. Nonetheless, it is radically important to achieve maximum levels of integration and coordination between regional policies to “beat it.” It is highly likely that the impact will vary according to the economic and healthcare structures of each country, as can be seen in the graphs below (IMF; Alejandro Werner: The coronavirus pandemic and Latin America: Now is the time for decisive measures).

Undoubtedly, as is the case in other countries and regions of the world, the COVID-19 crisis will accelerate certain changes in the region that have been ongoing over the last decade. For example, the forced quarantines will increase the online nature of economic and social relationships; teleworking will take precedence in more industries and the digitalization process will advance even more swiftly. Against that backdrop, the most technologically advanced companies would have stronger advantages over less

advanced companies, especially micro-, small- and medium-sized enterprises. Furthermore, the long periods of quarantine for workers will encourage investment in automation and robotics. A number of high-tech companies have already increased the use of artificial intelligence tools to tackle the lack of workers due to the quarantine.

Hence, owing to such a varying dynamic within this crisis, it is very difficult to produce definitive forecasts and that is why any analysis should be viewed as a constantly shifting picture. Countries will experience steep declines in GDP but most forecasts by international bodies predict a recovery towards the end of the year, followed by a strengthening across the board in 2021. The export sector will be decisive and the swift recovery of China and its industrial sector, together with the consumption and service sectors, is expected to follow, which will lead to a rapid recovery in exports, mainly for the countries in South America.

Setbacks are not out of the question as certain countries might suffer additional declines, so it will be important to be vigilant. The unprecedented fiscal and monetary support in advanced economies will help the region. However, uncertainty persists around the strength of the recovery and its reliability.

In short, the economic consequences depend on factors that interact with one another in ways that are very difficult to predict, such as the spread and scope of the pandemic, the strength and effectiveness of containment efforts, the impact of supply interruptions, the repercussions from a drastic adjustment to conditions in the global financial market, the arrival of new foreign investments, changes to spending

patterns and behavioral changes among consumers in general. All this would suggest that Latin America is facing a new post-COVID-19 economic cycle.

2. A proposal for the new post-COVID-19 economic cycle. Latin America 2020 consensus

Background

Like all social sciences, economics is subject to a trend that can be characterized - from the point of view that interests us here - by the rotation of explanatory paradigms regarding the nature of the economic problems that affect society and the policies that may and should be considered most effective in dealing with those problems. One of those paradigms arose 70 years ago when Raúl Prebisch, a benchmark in Latin American structuralist thought, formulated a hypothesis on the deterioration of terms of trade of "primary products" vis-à-vis "manufactured goods." Since then, the productive structure of Latin America has undergone major transformations. Even today, the main volume of exportable primary products is subject to the consequences of this formula. So much so that Latin American countries continue to adopt similar positions in the global economy. As a result, there is a close relationship between trends in their per capita incomes, economic growth and the international prices of exportable primary products. Consequently, whenever prices for the main exportable primary products have increased or remained stable over the last 30 years, the Latin American economy and per capita income has grown, whereas its growth has slowed for long periods whenever there has been a downturn in the terms of trade.

However, the influence from prices is not limited only to the economy but can also be seen in economic cycles. They have had a strong effect on the ideological sentiment of governments. Hence, the periods of per capita income stagnation usually herald the end of political cycles, while an improvement in prices for exportable primary products foster economic growth and revenue and, generally speaking, lead to the emergence of new political cycles.

Recent economic cycles explain the existence of important changes in terms of poverty; for example, when significant declines were seen with close ties to the boom in the primary product export cycle (2004-2012). It can therefore be seen that Latin American economic cycles over the last 30 years bring economic and ideological changes. In the early 1990s, the region as a whole underwent a cycle of economic reforms considered as neo-liberal that subsequently, at the start of the 21st Century, showed clear signs of exhaustion. The shift towards neo-liberalism was directly related to the effects of the foreign debt crisis of the 1980s (the so-called lost decade), which left the region in deep economic and social crisis. Uncontrolled inflation and the need to definitively resolve the overseas borrowing issue encouraged the application of adjustment measures promoted by the Washington Consensus (WC). Eventually, the WC revealed a loss of international competitiveness for most Latin American economies, which ended up suffering from trade balance problems and increased unemployment across the region. However, one positive effect of the WC led to “macroeconomic stability”, accepted as the “appropriate framework” for economic activity. This represents one of the

most significant changes to have taken place in Latin American economic thought and has been accepted by both left-wing and right-wing governments.

Latin America Consensus 2020

If the natures of the economic problems affecting society require policies that may and indeed must be considered as more effective at dealing with those problems, in the short time afforded to us, we propose this document: “Latin America Consensus 2020.” The Latin America Consensus 2020 represents a benchmark program now that the COVID-19 crisis has highlighted the structural weaknesses in the Latin American economy: low productivity, high informality, small companies, heightened export dependency on primary products and deep social imbalances that position it as the most unequal region in the world.

The Latin America Consensus 2020 seeks to build a new productive capacity, capital and job quality in turn capable of generating increased wealth, preventing the spread of poverty and inequality. Creating better social conditions for the population is an ethical imperative, but it would also prevent greater economic and social disintegration.

The Latin America Consensus 2020 defines macro-economic policies that build sustainable policies via better occupation, productivity and competitiveness to achieve sustainable economic development. The correlations between education, occupation, productivity and competitiveness are the fundamental foundations for guaranteeing sustainable development capable of successfully dealing with poverty and inequality.

The Latin America Consensus 2020 is based on the idea that the listed points are in no way definitive or final but rather open to adaptation and thereby the definition of how and in what way to promote, stimulate and enhance an economy and society that is superior to that which exists today.

In short, it should obtain backing from economic and social stakeholders for at least the following:

1. Fiscal discipline based on clear and precise rules.
2. Anti-cyclical prevention policies.
3. Offering efficient public services.
4. Adapting social benefits and public pensions.
5. Raising the quality of education at all levels.
6. Comprehensive support for micro-, small- and medium-sized enterprises.
7. Facilitating the creation of innovative companies.
8. Enhancing all aspects and fields of entrepreneurship.
9. Encouraging the internationalization of the economy and companies.
10. Incentivizing formal employment and occupational training within a new framework for labor relations.
11. Strengthening the agro-industry.
12. Achieving bigger and better infrastructures.
13. Increasing investment in R&D through public-private partnerships.
14. Adapting and fostering the agreements and policies on climate change and biodiversity.
15. Strengthening the legal and institutional framework.

Until now, economic changes in Latin American and Caribbean countries have varied. However, now

is the time to build a united front as it is genuinely important to create and produce a new “way of doing things” capable of converting the region into a more prosperous, safer and more balanced place.

Latin America and the Caribbean must decisively join the Fourth Industrial Revolution, which is characterized by a powerful and visible set of technologies, products and industries carrying a constellation of technical innovations, new sources of energy, materials, processes and infrastructures.

We still have time to enter a course correction that could lead to a new post-COVID-19 economic cycle that will herald in a “new vision.” However, vision is useless without action. And action without vision knows not where or why to move. Vision is absolutely essential to guide and steer action. Moreover, when shared in broad strokes, vision can be acted upon and realized.

As I have been saying, a profound interdisciplinary interconnection is needed between social sciences for rethinking all aspects of economic affairs, which will very probably take shape once the coronavirus pandemic comes to an end.

8

Corporate strategies for private capital incursions

(30/04/2020)

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In the current environment of plummeting stock prices due to the coronavirus crisis, and great uncertainty over how the global economy will recover, it is fair to expect an increase in conflictive situations in M&A operations. This poses new challenges for boards and management teams, as companies are now more vulnerable to potential attacks than under normal market conditions. In this regard, the role of private equity and activist funds becomes particularly significant, given their high levels of liquidity. The market is already anticipating increased activity from private equity and

activist funds, which can have an impact on any listed company, regardless of its size.

Facing this new reality, where capital needs will be paramount, companies must prepare themselves on several fronts, and with significant changes in attitude. Anticipation, better communication with investors and greater transparency must prevail in this context, as well as a comprehensive communication strategy.

AN UNPRECEDENTED SHOCK TO THE ECONOMY

The Ibex 35 lost more than 30% of its value from February 15 to April 20 as a result of uncertainty and volatility generated by the COVID-19 health crisis. The Continuous Market has not done much better: among medium and small caps the drop has been over 25%. Some measures have slowed the collapse, but we are far from seeing a stabilization. The situation is particularly serious in the case of companies in sectors directly impacted by the pandemic, such as tourism. If someone had wanted to take a controlling stake in IAG on April 20, for example, they could have had half of the company for just over £2 billion, almost a third of what they would have had to pay at the end of 2019.

With world markets witnessing unprecedented falls in valuation in recent weeks, there is still no real idea of where and when calm will return. A combination of the abrupt end to a bull market that many felt was due for correction, together with the overwhelming concern and uncertainty brought about by the global COVID-19 pandemic, has resulted in the most turbulent market conditions since the 1930s.

This means that many Spanish companies are trading at “bargain prices” and control of their capital

could be under threat. This prompted the Spanish government to take action and place limits on investors seeking to take advantage of plunging valuations. Accordingly, the same Royal Decree that declared the state of alarm also banned acquisitions from outside the European Union if, as a result, stakes equal to or greater than 10% were declared in national listed companies.

Initially, the Royal Decree established that this measure affected only certain strategic sectors. However, imprecision and numerous exceptions and assumptions in the text led to a de facto paralysis of corporate operations, however unimportant the activity of the companies involved.

But this measure is in principle temporary and, while potentially extendable, must at some point be terminated.

It is therefore likely that these exceptional and temporary measures to protect the economy and strategic companies will be annulled some time after the state of alarm is lifted to restore normal functioning of markets and competition as soon as possible. This should coincide with an end to limits on short selling that will help a return to normal functioning of the financial markets. At this point, without protectionist or interventionist measures from the State, companies will have to face the new reality.

In this period of uncertainty over the timing of the exit from the health crisis, the longer it lasts, the more risk aversion will increase and the more serious the consequences for business investment will be.

In this context, where the survival of some sectors is going to be at risk, very few companies will be able to

dream of corporate operations, even if organic growth is difficult. At the same time, the recession resulting from the pandemic has put the credit sector in quarantine. It will not be easy for banks, concerned with safeguarding their capital, to lend money for transactions with minimal risk. Therefore, operations of an industrial nature appear to be highly unlikely.

While it will not be easy, it should nevertheless be possible for listed companies that need to strengthen their equity base or diversify their financing to do so through the financial markets, either through capital increases or debt issues.

In this difficult environment, a number of scenarios are more than likely:

- M&A activity and activist campaigns could increase, replicating what occurred after the global financial crisis in 2008.
- Mergers and acquisitions as well as activism may be driven by cases of opportunism, survival needs, cheap debt and high levels of liquidity in the hands of private capital. In 2008 and 2009, in the aftermath of the financial crisis, there was an increase in unsolicited or hostile transactions. Already, potential deals are being announced, such as the one reported by the Wall Street Journal on April 21, which said that “Expedia is in advanced talks to sell an interest to private equity firms Silver Lake and Apollo Global Management Inc. after travel bans caused by the coronavirus pandemic destroyed the online booking company’s business.”
- The number and volume of transactions may increase once market conditions begin to stabilize.

PRIVATE EQUITY CAPITAL IS EMERGING AS THE GREAT ENABLER OF M&A

The impact of the crisis on stock prices and the need of many firms for capital injections will bring attractive opportunities that some players will want to exploit. Of course, the last few months have given a very clear indication of who the main candidates could be. According to Mergermarket, private equity firms accounted for one third of global M&A transactions in 2019 equivalent to 501.95 billion euros. The liquidity accumulated by private equity in recent months, is likely to continue growing for this type of player.

Along these lines, financial data and software company PitchBook and independent investment and financial services bank Canaccord Genuity , through its Quest analysis platform, recently said the current health crisis and resulting economic recession may lead to an increase in private equity transactions in listed companies (PIPE- Private Investment in Public Equity). Analysts concluded that these operations (which usually involve firms selling shares or convertible securities at a discount) are more likely to occur when “companies seek liquidity at times when credit is difficult to obtain.”

Some of these large private equity firms have already openly stated their intentions. This is the case with Advent International, whose president, David Mussafer, recently told the Financial Times that “there is now an opportunity for us to get involved with some of the most incredible businesses on the planet that heretofore might not have been interested, or needed capital, or sought a partner.” According to some experts, the target would be companies that had very

high valuations before the pandemic and the so-called “carve-out deals” (sale of specific business units by large corporations).

Even so, these scenarios must coexist in the short term with the needs of their existing shareholdings. In fact, many of these funds are being forced to provide additional liquidity or even buy back debt from firms in their portfolios. This situation can lead to a hiatus in disinvestments due to the difficulty of obtaining satisfactory returns. Some of these firms, which need to put into operation the amounts of capital they have raised in recent times, are warning their shareholders of expected income declines this year due to the impact of COVID-19 on their businesses and the consequent downward valuation of their portfolio.

On the other hand, it is important to take into account the increasingly active role that sovereign wealth funds can also play. On April 16, the Financial Times warned that these were moving to buy assets whose prices were falling sharply, seeking above all to invest in sectors with rapid recovery potential, such as health-care or technology and logistics. Among the potentially most active players, the FT pointed to the Public Investment Fund of Saudi Arabia (PIF), Mubadala, the Qatar Investment Authority and the Abu Dhabi Investment Authority (Adia).

THE INCREASINGLY THIN LINE BETWEEN PRIVATE EQUITY AND ACTIVIST FUNDS

Historically, the relationship between venture capital funds and activist funds has been characterized not so much by collaboration as by confrontation. Activist investors, who had minority stakes in listed companies,

often opposed acquisitions by private equity firms, thereby putting upward pressure on the final price. Meanwhile, private equity benefited from activist funds by acquiring the unprofitable divisions that the latter's activity led to their sale.

Today, however, the boundaries between the two players are disappearing. Increasingly, activist funds are employing the tactics of venture capital and these are developing activist campaigns in the companies where they invest. The main reason is that they often target the same companies.

Also, the skills of each investor group are closely aligned and similar: a clear talent for identifying undervalued companies and the technical know-how to restructure and manage them properly and drive value creation.

It is true that often the changes required take a relatively long time to materialize and generate a profit, so it is not uncommon to see investments with retention periods of up to three years. A period, which in the case of activist funds, can be even longer, with a correspondingly low portfolio turnover, as opposed to the shorter terms of hedge funds.

It should not be forgotten that many activist funds have been as affected by the recent falls as the rest of the market. Some have been forced to withdraw from previously planned campaigns and to reward investors from their own resources, while others have reached agreements with their target companies. It is also true to say that in cases of mergers and acquisitions, valuing a transaction has become much more difficult.

Nonetheless, both classes of funds have easy access to liquidity. Taking advantage of the recent downturn in

the markets, they have the capacity to build significant positions in selected companies and, at some undetermined point, use that previously acquired leverage to bring about changes in business strategy.

Once the recent turbulence subsides, investors will have a clearer idea of which companies are underperforming and opportunities will emerge for experienced private equity firms to make a credible case for change. In its latest quarterly report on shareholder activism, investment bank Lazard notes that the pandemic will create a new class of activist targets, for example companies with complex or vulnerable supply chains. In the same report, Lazard predicts that “activity levels will increase as the overall economy normalizes and the M&A market returns as a viable avenue for value creation.”

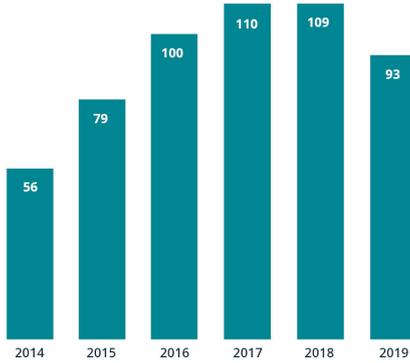
ACTIVISM: A GROWING CHALLENGE FOR ANY LISTED COMPANY

Shareholder activism is a trend that originated in the United States and began to gather momentum in Europe about five years ago. According to data from international platform Activist Insight, while 2014 closed with only 56 campaigns launched to influence changes in the management of companies in Europe, in 2016, 2017 and 2018 there were always more than a hundred. In 2019 they fell to 93, perhaps due to revaluation of the main European indices, although the trend shows that this activity is now consolidated as a reality that companies must learn to manage.

In fact, the market is beginning to assume that the collapse of the stock markets will make this type of investor even more active. This can be deduced from

a survey of investors carried out by BCG last March, where 59% of those surveyed said the COVID-19 crisis would lead to an increase in activist campaigns.

EUROPE IMPACTFUL CAMPAIGNS

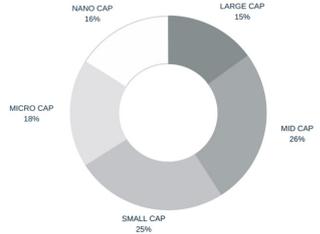


EUROPE ACTIVIST TARGETS BY MARKET CAP

MARKET CAP BREAKDOWN OF EUROPE-BASED COMPANIES PUBLICLY SUBJECTED TO ACTIVIST DEMANDS BY TIME PERIOD

MARKET CAP
LARGE CAP (> \$10B)
MID CAP (\$2B - \$10B)
SMALL CAP (\$250M - \$2B)
MICRO CAP (\$50M - \$250M)
NANO CAP (< \$50M)

2014	2015	2016	2017	2018	2019
17%	19%	18%	17%	18%	15%
21%	19%	22%	25%	19%	26%
23%	35%	29%	28%	30%	25%
16%	9%	11%	13%	14%	18%
23%	19%	19%	17%	20%	16%



In this sense, it is important to note that this reality affects any listed company. It is crucial to point this out, since news of an activist fund taking stakes in large listed companies has created the false perception of a threat that only hangs over so-called large caps. Current data actually show that mid-caps are the preferred target companies for activists (26%). Immediately following are companies with a capitalization of less than 250 million euros (small cap), representing 25% of the firms that have had to face demands for specific

changes in their management model or strategy. In fact, those with the highest stock market value (large cap) are the least common option.

HOW SHOULD COMPANIES PREPARE FOR POSSIBLE ACTIVIST CAMPAIGNS OR M&A OPERATIONS BY PRIVATE CAPITAL, WHICH ARE ALSO HOSTILE? CAN ACTIVISM EVEN BE TURNED INTO AN OPPORTUNITY?

Companies should anticipate and be prepared to face an unsolicited, even hostile, offer from a private equity fund or group of funds, or to push back against an activist that makes unrealistic proposals. An activist fund that has gone through a difficult period may be looking for a big win to satisfy its own restless investor base. Companies facing this pressure must be able to articulate their long-term vision for creating sustainable value for their shareholders and other stakeholders and define why that strategy will ultimately generate greater value.

Given this scenario, key factors will be:

- Know your shareholders/owners. Having a clear understanding of the different investment and governance perspectives of your changing capital structure is imperative in order to design an effective communication strategy. Even the largest corporations have experienced major changes in their shareholder base as a result of recent market volatility. It is more important than ever to closely monitor all buy/sell activities. Which are the most reluctant groups, which are those who have shown interest in the company in recent months, which

are the most active in the sector, or what would be the profiles of those that could take decisions in determined scenarios, and how each of them might vote on specific decisions. Only by knowing these issues in advance will you be able to identify the best way to deal with their criticism.

- Know your company well. Boards of directors must be able to express to investors the long-term sustainable vision of the company they supervise. The board and management must provide an honest and objective sense of how the company lives up to this vision in comparison to its peers. This ongoing self-assessment should be done as if looking at the company through the eyes of an aggressive activist. Companies should conduct this type of analysis proactively, so that they are not forced to prepare for a valuation debate as a reaction to an offer from a third party.
- Prepare and coordinate your team. Having a team of external advisors with in-depth knowledge of your company will help you in this continuous process of engagement and evaluation. Experience, both in times of peace and conflict, is essential. Trust in them will be key to being able to respond effectively to any external demand.
- Reinforce commitment to your longer-term shareholders and engage with them. Continued commitment and engagement with shareholders is always a sound and effective strategy, but it is especially so in times of uncertainty. A lack of visibility and communication about the company's long-term prospects increases the risk that some shareholders will be attracted by offers above the

current share price, even if the offer is significantly lower than the company's intrinsic value.

- Use communication to impact the market. The market's assessment of a company depends on how it is perceived by many stakeholders. Regulators, analysts and the media are third parties on whose opinion the market value of your company may depend. Therefore, do not wait to receive a call in the middle of a crisis to realize who follows your activity. Choosing a low public profile cannot be an excuse for inactivity.

It is vital to identify your stakeholders and establish a close relationship with them. Giving them access to senior management, keeping them abreast of your principal milestones and providing them with background information is the best way to ensure they understand your business and that they become your allies in the face of an unwanted corporate movement.

- Have a plan of action. Although the ideal is to avoid an attack (proxy fight or campaign), this is not always possible. To face this with any chance of success, it is essential to be ready to act quickly and have an organization that is prepared to do so. It will then be key to have an action plan and a previously defined procedure. Improvisation will multiply the chances of failure, and must be avoided.

HOW SHOULD PRIVATE CAPITAL APPROACH INVESTING IN A COMPANY?

It should be noted that private equity firms considering acquisitions in the current environment are likely to

attract much more attention, as investors and analysts will analyze transactions more closely.

While explaining the rationale, premium and the acquisition process for transactions are key elements in normal circumstances, those taking place during periods of market disruption and volatility require much more attention to communication strategy, as well as a proactive dialogue with shareholders (probably supported by proxy soliciting).

- Study your target well. It is common for international funds to base their entire communication strategy on investment rationale. Local sensitivities, management team profile or historical specificities of the target company are elements that are usually left in the background but become crucially important when implementing an operation. Detailed analysis of the company in which you want to invest and a strategy based on its particular characteristics are therefore key. It is also essential to analyze the environment of the target company and focus on relations with other often decisive stakeholders (regulators, public administrations, local media, workers' unions, suppliers, etc.).
- Build your corporate narrative. In a context of market contraction and lack of liquidity, private equity funds can be an opportunity to safeguard the continuity of many companies. However, in most cases and more so in times of uncertainty and certain weakness, their image remains that of aggressive firms seeking to asset strip companies and divest in short order. To counteract this prejudice, still held by some stakeholders, it is essential to build an attractive and convincing narrative that

positions private capital as a key partner in facilitating the growth of the companies in its portfolio. In the current environment, investors are increasingly demanding a coherent and convincing strategic justification for an acquisition that goes beyond the depressed valuation of a target.

- “Sell” your investment model. Explain your project and make sure those that influence and take decisions (shareholders and other stakeholders) know your narrative. Investors are not too keen on surprises in M&A transactions. Private equity firms should be explicit about their investment model and philosophy before a significant acquisition is announced or leaked. Going from being seen as a predator fund to being perceived as a long-term partner can be a turning point that ensures the success of a corporate operation. This will require designing and executing a relationship plan with the target company’s key stakeholders and establishing a relationship of trust with them.

STUDY BY FINSBURY, HERING SCHUPPENER AND GPG ON THE PERSPECTIVE OF STAKEHOLDERS IN M&A OPERATIONS

This recent report² on the influence of stakeholders in M&A operations, examines the new challenges a company faces when designing a communication strategy to deal with movements of private equity

² The report was written before the arrival of the pandemic, the conclusions are still valid. LLYC is an Associate Partner in Global Partnership with Hering Schuppener Consulting, Finsbury and Glover Park Group. The combination of these leaders in each of their markets creates one of the few global platforms that advises clients in all areas of communications and public affairs, with more than 1,000 consultants in over 30 offices worldwide.

funds. The report notes that activist funds represent 64% of the negative comments detected among investors surveyed by the agency. It adds that with the COVID-19 crisis and ensuing difficulties faced by companies, increased opposition from shareholders to how these companies are run can be anticipated. It highlights four aspects, among others, that companies must take into account in order to build a convincing and effective narrative:

- **Social networks:** They occupy more and more space in the conversation, used in particular by non-financial contributors (73%) and only 14% by stakeholders of the target company and 13% by representatives of the acquirer. They are not mere amplifiers of what traditional media publish, they represent a different profile with different actors. Companies should take this trend into account in their communication strategies.
- **Differentiating factors:** A uniform communication strategy is less and less useful. The audiences that companies must reach represent different geographical, employment, economic and corporate governance interests, all of which directly conditions communication and requires a differential approach.
- **Sustainability:** At present, it has a limited influence on strategies, but growing demands in terms of regulation and allocation of investments in investor portfolios make it increasingly an essential element in corporate strategies in the face of activism.
- **Engagement with employees:** The impact of certain business decisions on employees represents the largest proportion of negative feedback in the case

of M&A operations. Companies facing a corporate operation depend on their people more than they realize as the key to success. Hence the importance of a well-designed internal communication strategy.

9

The Role of CEOs in the recovery. How to resume business and review value propositions for a post-coronavirus recovery (08/02/2020)

Paco Hevia

Senior Director of the Corporate Communication Area

A few weeks ago, I shared some thoughts on what senior executives can do to stop the economic hemorrhage brought about by the COVID-19 crisis and the keys to withstanding the impact on companies from a perspective focused on the organization's purpose, stakeholder and capital management.

For organizations that have been able to survive these stages of the crisis, the time has come to focus on the short-, medium- and long-term recovery process. This means I can write again and share some ideas that we hope will be useful to you over the coming weeks and months.

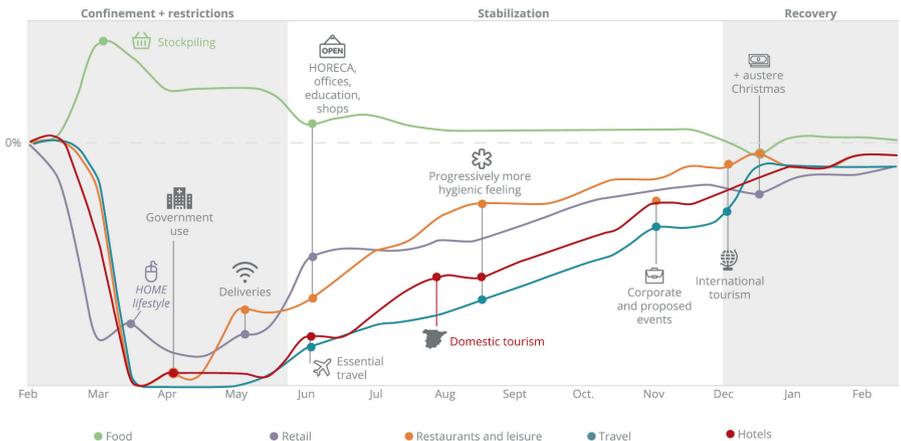
As we saw in the previous document, running a business is never easy but it's perfectly clear that leading is always difficult and the time has now come to get ready for the recovery.

RETURN. ADAPT. CHANGE.

The various analyses and studies published in recent weeks about the socio-economic impact of the health crisis suggest that how we will emerge from the crisis remains a mystery that will greatly depend on what happens in each stage of the crisis and the COVID-19 containment process.

The study drawn up by the Deloitte Consulting Monitor entitled "COVID-19 Impact and Consumption and Distribution Recovery Scenarios" on March 27 shows a curve that suggested a return-to-business process over the course of spring, a gradual economic recovery over the summer and autumn in which adaptation to the new reality will be key and a change consolidation process over the course of 2021.

Sectoral analysis (% Variation on Previous Year)



A similar report drawn up by McKinsey entitled “COVID-19 in Spain: The dual imperative of health and economic well-being” on 6 April offers some insight into the three stages that CEOs will need to manage over the coming months.

FLATTEN THE CURVE

The first stage revolves around preparing a resumption of business, during which a double focus must be placed on minimizing the negative impact on public health and on exercising leadership to minimize the economic and employment impacts that will come with the financial downturn. This will be a predominantly technical stage and focused on the short term.

Today's imperative: to save lives and protect public well-being

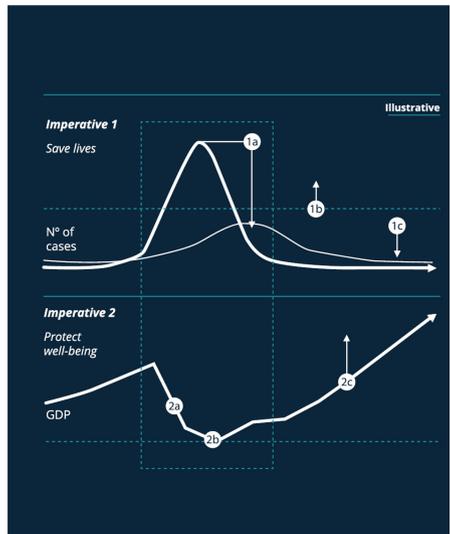
The dual imperative we face

Imperative 1: Save lives

- 1a Contain the virus as soon as possible
- 1b Increase treatment and testing capacity
- 1c Develop treatments, medicines and vaccines

Imperative 2: Protect well-being

- 2a Support the people and businesses affected by the confinement
- 2b Prepare a safe return to work when the virus subsides
- 2c Prepare the acceleration of recovery from an estimated GDP downturn of between -4.6% to -12.2%



For all managers, both within the healthcare system and in economic circles, “flattening the curve” has been

and will continue to be the mantra to follow. It has been fully explained in terms of healthcare issues but certain aspects of this approach in economic terms need further explanation.

The commitment from politicians and company managers should be to focus on minimizing the depth of the economic impact from the downturn because facing a process of recovery from a negative impact of -4.6 % of GDP is not the same as facing one that starts at -12.2 % of GDP. It is therefore important for the economic activity latency stage to be as short as possible for those activities that have been forced to stop. We need to ensure the continuation of all economic activities that can be carried out under safe health conditions.

Such initiatives as #EstoNoTieneQueParar <https://estonotienequeparar.com/> [ThisDoesn'tHaveToStop], which is being promoted by the agri-food chain promoted by Mercadona, is a clear example of how civil society is assuming responsible leadership for economic affairs over and above the competent public authorities.

The second core aspect of this work lies in shortening the duration of the economic downturn and accelerating the economic recovery curve. As stated in the aforementioned report by McKinsey, too much uncertainty persists around what the recovery curve will look like. This means that the focus should be placed on managing those levers that companies and CEOs can indeed control in order to be prepared to accelerate the return to operational business and, above all, reactivate consumption.

A good example of the initiatives aimed at reactivating consumption is the #SaveTourism campaign

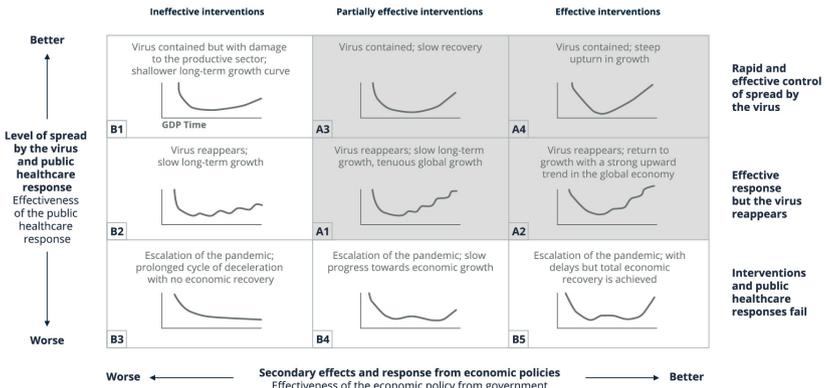
focused on “Don’t cancel, postpone” <https://sextaplanta.com/no-canceles/> or the campaign encouraging Spanish tourists to travel within Spain this summer being launched by hotel owners.

Depending on the management capacity of each CEO, the focus for this stage should be placed on reactivating consumption and on ensuring that the operational part of their organization is able to respond swiftly to that reactivation.

There are nine possible COVID-19 crisis development scenarios based on the impact achieved by economic and healthcare interventions

Illustrative

9 proposed scenarios based on the effectiveness of the actions taken in terms of public health and the economy



ACCELERATE THE UPTURN

When the time comes to reopen for business again and that which has been made possible, a new stage will begin in which the key will lie in the ability of organizations to adapt to the temporary circumstances that will arise around the company’s critical stakeholders. This stage will have a tactical focus and be developed in the medium-term, meaning the second half of 2020 for us.

If an organization is able to swiftly and efficiently adapt to those circumstances, it will ensure a steeper curve towards economic recovery. This will be a matter of agility, flexibility and openness to change, meaning that the most hierarchical organizations that are slowest at making decisions will have the greatest difficulty in shortening their period of return to business.

Various studies can already be found on the Internet that explain which circumstances are going to have an impact on certain stakeholders, but as I said in my previous article, the key to the challenge for CEOs lies in seeing the bigger picture and being able to prioritize the various keys to the various stakeholders and take quick decisions. The second key will lie in team efficiency during implementation, the ability to “catch the wave and surf” greatly depends on how teams are set up and the culture of ongoing improvement and adaptation that has been built over previous years.

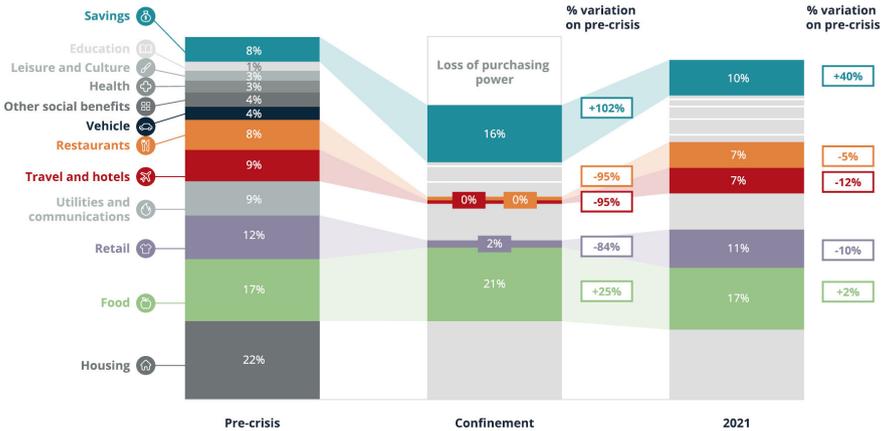
Below is a summary of some keys per stakeholder group that seem to be generating consensus among thinkers as keys to be considered for this stage.

1. Consumer

Companies need to focus their value proposition on meeting the needs and expectations of consumers and clients. In this case, the earthquake has been so intense that temporary changes have probably occurred that will force us to review how we bring the product or service to end users, payment deadlines, how we communicate the product or service and how we resolve new requirements on safety, confidence or reliability.

Consumers need to feel understood, accompanied and part of a community. Companies that are making an effort to be part of the health crisis solution and adapting their offer to the new reality will experience a lesser impact over a shorter time.

Estimated distribution of disposable income per capita (%)



Nonetheless, it should not be forgotten that - according to the study by Deloitte Consulting that I mentioned earlier - it seems clear there will be an income shrinkage due to both objective and subjective factors that will cause people to consume less.

2. Employees

As we read in “Statement on the Purpose of a Corporation” by Business Roundtable, companies will need to constantly invest in their human capital and manage it properly.

Without losing focus of everything that needs to be done to meet other requirements in the Maslow Pyramid, we are at a stage where basic needs are

essential; those related to health and the guarantee of conditions to prevent contagion. Meanwhile, security needs - those related to saving jobs and the *modus vivendi* of the people working at your organization - will become enormously important for engaging with your workforce.

This does not mean you shouldn't continue to encourage teleworking, work-life balance, diversity, talent management or involving people in the organization's purpose to create the culture we seek.

3. Suppliers

For those suppliers who are genuine colleagues of your organization in the creation of value, those with a genuinely important role in contributing to your own value chain, it is essential for them to feel a part of your operations and for them to be treated fairly. It is essential that each one receives according to their contribution and they should be treated in ways that respect human rights and with the transparency they deserve so they get involved in your recovery process.

These are easy things to say but tough to implement because we have spent decades in which it has been more important to raise the value of one's own income statement at the cost of detracting value from the income statement of suppliers. But they need to be treated as an essential part of our business and are equally entitled as we are to survive. In many cases, our own sustainability depends on theirs and I believe it is good to remember the aphorism "a chain is only as strong as its weakest link."

Paying invoices on time, or even paying them early if your financial situation allows (as several major Span-

ish companies are already doing), is an effective way to look after them. Another way might be to raise the profile of your business relaunch plans and ask them for their support on that path.

4. Citizens

Companies are corporate citizens that cohabit in society with individuals and legal entities. The common social good for all remains the same; if a society develops and advances, this is good for people as well as for companies and the other organizations that coexist in it.

Given their size and organizational capacity, companies have a major role to play in value creation through taxes, jobs and economic activity, which drive society towards well-being. We should therefore move beyond the management of economic capital and incorporate the management of environmental impacts and the generation of knowledge and technology capable of driving us all forward into the corporate day-to-day.

Incorporate insight into how the company has included the UN Sustainable Development Goals into your day-to-day and how we update priorities during the management of COVID-19 to bring added value to the new urgency for SDG 2 on Zero Hunger, as done by companies in the agri-food chain, distribution and hospitality sectors; SDG 3 on Health and Well-being, as done by socio-healthcare and pharmaceutical companies; SDG 7 on Affordable Power, as supported by electricity and gas companies; and SDG 8 on Employment, as done by those business leaders who have prioritized saving jobs over profits. This crisis has

shown that Corporate Responsibility has come of age and become essential to business management.

5. Shareholders

As share values tumble in all markets during a steep economic downturn, it should be remembered that, in the 2020 Davos Manifesto, the World Economic Forum defined a universally accepted framework for demonstrating the creation of sustainable value in which Environmental, Social and Corporate Governance (ESG) should join the measurement of business performance.

At this moment of truth, it should also be remembered that in his annual letter to CEOs, Larry Fink, CEO of BlackRock, said that ESG criteria are “a decisive factor in long-term company expectations” and added that they would not be investing any more in businesses that posed a high risk to sustainability.

This is a good time to demonstrate that through action, and the companies that do so will obtain a significant competitive advantage for the recovery stage.

CHANGE

Since the start of this century, we have assumed that the speed of change made long-term strategic plan-based management structures useless and we have switched to medium- or short-term action plans in which success was calculated according to performance by the income statement for the year.

It’s true that this means we avoid tripping over immediate obstacles, but it’s very likely that by avoiding the next tree in our path we will find ourselves lost in a forest clearing in a few years’ time or even dead, devoured by a competitor.

We need to regain our long-term outlook and strategic approach based on the analysis of micro-trends that lead to changes in the competitor scenario and directly impact the needs and expectations that our stakeholders have of us as a company.

It is no different in this case. We should include a far-reaching analysis in the 2021 planning process of how COVID-19 has accelerated the arrival of various trends and how it is impacting stakeholders. Once this analysis is done, we need to have the courage and bravery to include it in our strategic deliberations and change whatever needs to be changed to face next year and be able to say in a few years' time that, not only did we overcome the COVID-19 crisis, but we emerged stronger and wiser, more competitive and more sustainable.

To make this reflection easier, I share with you some thoughts on the micro-trend reports drawn up regularly by the consultancy firm WGSN, which may offer some useful clues in this process.

The VUCA world (Volatile, Uncertain, Complex and Ambiguous) has arrived; uncertainty has led to concerns over the economic, financial and socio-employment impact that will feature heavily in the months ahead.

The fear factor will lead to behavior associated with reactions to stress resulting from the "trauma" generated by COVID-19. The need for protection, security and positive messages will have an impact on how we interact as companies with stakeholders.

A return to hyperlocalism will receive attention in the coming months; a rejection of all things global combined with a fear of travelling will mean that local

things, neighbors, the family, friends, the village and all things close-by will gain weight in behavior and consumption patterns. Adapting the offer to local concepts and supporting a recovery of the nearby approach will be appreciated.

Climate emergency criteria will be strengthened but there will be stronger demands to stop talking and start doing, meaning that value will be given to those companies that strengthen their lines of real action and place a greater focus in their value propositions on looking after the environment and on these issues in their relations with stakeholders. People want to play a larger role and get involved in the doing.

This crisis has reminded us how important family is, especially our elderly relatives. Generational balance will be a growing trend in the coming months. Creating offers adapted to the elderly, accepting senior human capital and highlighting the value of experience will be a line of action with a positive impact in the future.

The coronavirus has accelerated various important geopolitical changes. The rise of China and the creation of relationships based on trading in protective and medical equipment will have rapid effects. The search for new markets to reactivate the economy will force us to focus our questions on Africa again. The relocation of manufacturing processes to gain productive self-sufficiency will generate business opportunities for those companies that invest and consumption trends that lean towards local procurement.

Management of positive decline, the effect of new migration patterns, the emergence of teleworking as standard, a change in commercialization and networking channels, etc. are trends that will need to be incorporated into the strategic insight process that will

define our path for the next two years and enable us to conclude this process by saying we learned from it and changed everything we needed to change to emerge stronger.

MANAGE TODAY TO EARN A FUTURE

Organizations must be capable of creating and realizing sustainable value propositions for their stakeholders, mainly their customers, but they should also consider their duty to understand and look after the ecosystems in which they operate.

Now more than ever, organizations must tackle two challenges at the same time: the efficient management of today, the short-term vision in order to avoid tripping over obstacles in the path; and the effective management of change in order to earn a future, the long-term vision that steers us along that path.

As we have seen, we will need to navigate through various stages requiring different focuses and approaches. In the short term, we need to focus on doing what we have to do to flatten the curve and return to normality. In the medium term, we should adapt ourselves to the circumstances while building a steep recovery curve. In the long term, we will need to understand which of these changes are here to stay, which micro-trends have gained traction and manage organizational change in order not to be left behind.

The only way to manage numerous and far-reaching changes is to lead change management through trustworthiness and ensure it forms a major part of the strategies followed by our organization. Sufficient time and resources should be dedicated to this activity by boards of directors and steering committees.

As organizations, we have a duty to act as a driving force for change; to take the reins and conscientiously prepare ourselves to act in a constantly evolving ecosystem. That is the only way we will earn a future.

It won't be easy, but it will be exciting.

10

Family Businesses: Turning point and way out of the COVID-19 crisis (20/05/2020)

Mar Galtés

Director at LLYC Barcelona

Paco Hevia

Senior Director of the Corporate Communication area at LLYC

Family businesses are an essential part of the economy; not only because they account for more than 90% of all companies worldwide and provide 70% of all jobs in the private sector, but also because they represent a highly significant portion of the wealth produced in such diverse areas as industry, tourism, agriculture, banking, shoemaking, construction, energy, engineering, healthcare, technology, textiles and transport. However, their importance stretches beyond these numbers and company size is irrelevant because they range from micro-enterprises to large multinational businesses. Another huge factor to be considered lies in their long-term dedication and

loyalty to stakeholders. Whether these stakeholders are customers, suppliers or employees, family businesses are a driving force for social development, and they make a decisive contribution to fostering a culture of entrepreneurship, responsibility, sustainability and, increasingly so, equality in business. Nonetheless, they exist within a paradox: their culture of communication and the attention given to this issue generally fall short of playing the role needed in the life of Europeans on the whole.

The COVID-19 crisis has dragged society into a time of extreme uncertainty with a view to the future. This is a period that lacks answers and certainties, in which legacy leadership will be decisive in dealing with the major changes we doubtlessly face.

FINDING A PURPOSE AND SHARING IT: FROM LEADERSHIP TO NARRATIVE

The digital transformation has brought with it a number of permanent changes to the world of communication: the media, the channels and the formats have all been transformed; a new paradigm is defining the rules of the game. It is crucial for companies to use their voice and lead the conversation about themselves and about the strategic issues for their businesses. If they don't do it, others will do it in their place.

Within a context characterized by infoxication or information overload (where people have difficulty distinguishing the information that is useful from that which is not), personalization (an enormous power of the individual and a relevant ability to have influence) and hyper-transparency (the power of individual company forces to conduct themselves ethically, openly

and transparently), their role in society to create discourse - to communicate - is essential for building confidence, protecting company reputation and remaining competitive.

Leaders also have a huge role to play in this paradigm shift: it is important for each organization to reflect on its legacy and the ultimate purpose lying behind the company. Many companies say what they do, some explain how they do it but very few explain WHY they do it.

The way in which this explanation is provided, the story they tell, is also extremely important. The narrative of a company is not designed to sell a product or conduct an annual campaign, regardless of how powerful or important that company might be. It is based on the purpose and shared beliefs of the company and is inextricably linked to its long-term strategy.

Family businesses can be a voice for humanist capitalism, conscious capitalism or any evolution of the capitalism concept capable of implementing that essential paradigm shift that stems from the same heart of the business system. An honest movement from companies, business leaders and executives that highlights the value of more modern, efficient, profitable, responsible and sustainable management and that seeks to respond to a society that is calling for a new form of social leadership.

Family businesses have a past but that does not mean they remain anchored to it: a long-term commitment makes them innovative by definition, but this message does not always come across. Startups and certain large corporations have monopolized the innovation story. New businesses - the startups - have

earned themselves a place in the collective imagination based on the epic tales of entrepreneurs. However, family businesses also have a lot to say in this conversation. Who better than family businesses to convey the epic tale of entrepreneurship? And now, their audience - society - will be more willing than ever to listen.

RESPONSE TO THE INTERNAL CHALLENGES

Communication is another decisive factor in managing the major internal challenges faced by family businesses; from the exercise of leadership to the succession process, which begins with the participation and preparation of future generations or professionalization with external managers.

Family businesses do not always have clear official organizational charts, but they do have leaderships: these must be exercised with transparency and communicated with suitable tools.

Focusing on the company and developing a unique strategy to enhance its values and its purpose is one way of distancing the risks that so often concern a family business when personal protagonism is involved, especially in those cases where the family surname is also the corporate brand. Good communication is the best shield against possible risks and threats of crisis.

Here, the managing director plays a fundamental role: their ultimate goal is for all stakeholders to associate themselves with the purpose, as well as understand the narrative, and for both the governing bodies and managing bodies to have the same roadmap and walk at the same pace to reach the goal.

A company owner is responsible for defining and transmitting the business model they want and that will

be implemented. As the representative of stakeholder interests, the board of directors must accept that and be capable of ensuring that day-to-day management of the company can respect it and communicate it to all groups that the family business needs to operate.

Having stakeholder management systems, in which the owner should know how to transmit the business model, legacy and purpose as a model that brings the interests of everyone together, is absolutely essential. It is therefore important for the business family that usually lies behind a family business to share a single vision of that business.

Difficulties at family businesses usually stem from differences of opinion about the WHAT FOR and WHY the company exists and discrepancies between the purpose in life for members of the family and the purpose of the family business.

Aligning personal interests with family interests and family interests with business interests is a major challenge, and this difficulty is multiplied when the family business passes to a second or subsequent generation and family "politics" begins to enter the ecosystem.

One of the keys to minimizing this risk is maintaining the legacy vision and investing time and money in shaping and encouraging a business spirit and entrepreneurial culture among family members.

There are numerous cases in which the focus adopted by the generation leading a family business lies on training the upcoming generations in management skills and running a business, while forgetting those related to business family governance and leadership.

Reality has shown us time and time again that good managers - better than the potential of any member

of the business family - abound in the labor market and can be successfully brought into the day-to-day management of the company for excellent results. However, we have also seen that managing the family itself, training its members to be leaders of the family businesses that emerge from the family and fostering business and entrepreneurial spirit in family members are roles that cannot be delegated or outsourced from a family business.

This is the final frontier, it is the difference between people, and belonging to a business family gives back, shapes you and forces you to coexist with the principles of the legacy, the company business and the creation of value in society above and beyond merely earning money for yourself. This is not something learned as well as we would like at business schools, which are historically focused on management skills. Business families represent this school of business leaders and are their major competitive advantage over other business development models.

Creating schools of business leaders within the heart of business families would help in two ways: it would continue creating new companies; and it would prevent the power struggle over the companies that already exist. Training people to be business leaders and not company managers is the big difference, and this focus can only be achieved in a business family.

LEADING THE MANAGEMENT TEAM

A new challenge emerges once we have successfully aligned the owners and their representatives on the board of directors: how do we surround ourselves with

professionals who share the family business vision and how do we get them to convey it to the organization?

The professionalization of management teams is a logical technique to successfully prevent business family endogamy, enrich focus and acquire new skills and knowledge, but there is an associated challenge of integrating professionals into the family business culture.

This is not a simple challenge because these professionals have usually developed a career in business paradigms based on performance and the production of short-term value, rather than the creation of long-term value and much less on creating and managing legacy.

This is why an essential step for successful integration into the family business model is dedicating time to explaining the differences in the model and ensuring a humble acceptance of the need to begin an unlearning process; a period in which the manager must set their beliefs against those of the family business and manage the necessary change that entails.

Many of the failures by excellent senior managers from listed companies and multinationals who go on to join family businesses stem from differences between the two models and the shift in priorities and ways of doing things that this leads to.

Change management becomes a key part of these integration processes. You need to know where you're coming from, where you want to go and draw up a roadmap for getting there. This is not simple. Unlearning is always a painful and complicated process, but it must be considered if the aim is to facilitate the integration of such professionals into the family business.

SOCIALIZING THE CONCEPT OF LEGACY

To underline the characteristic attributes of a family business, such as the purpose, the mission and their reflection on the internal culture, encouraging employee participation and building participation with them can help generate a sense - and pride - of belonging, leading to a positive impact on the ability to attract and retain talent regardless of the size of the business. Logic should be applied to relations with all stakeholders.

A family business aspires to run a perfect operation in order to demonstrate its excellence. However, it is often forgotten that building a reputation requires more than just doing things well: things also need to be explained. In this regard, credibility requires that narrative, the context and opinion leaders: building the story enables you to lead the conversation.

The crisis caused by COVID-19 will force us to reconsider such matters as the location, sustainability and safety of production and the products we consume.

In this new context, the confidence provided by the legacy of a family business will also be a decisive factor for consumers. Highlighting it, exercising it and also explaining it will give us a competitive edge in the market, which needs sound, approachable and trustworthy values and products.

FOCUS ON THE DAY-TO-DAY

Once the business family governance challenges have been resolved and we have answered the key questions about the family strategy and aligned its members, we will be ready to take the next steps.

Once the governing body of the family business has reviewed the strategy, the business model and the teams needed to develop it, we will be able to then spend time on management.

When we get down to management, some tough decisions will need to be taken. We recently experienced the latest major economic crisis and it helped us refine value proposals and organizations to be more efficient, competitive and agile.

We are better prepared for this new period of upheaval than we were in 2008. Generally speaking, this surprise has caught us with less debt, increased diversification in terms of products, sales channels and markets, better adjusted teams and with a more developed culture of ongoing challenge.

Even so, it would be a good idea to remember the fundamentals and pay attention to cash flow to avoid treasury problems, to try to strengthen our financing in order to get through the desert ahead of us, and to analyze the entire value chain of our business model in order to eliminate everything that does not bring added value but rather drags on day-to-day business. Some tough decisions will need to be taken in the short term in order to earn ourselves a future, but that has always been one of the characteristics of family businesses; looking to the future and fighting for it.

LLYC

About LLYC

LLYC is a global communication and public affairs consultancy firm that helps its clients to take strategic decisions pro-actively, creatively and based on the necessary experience, as well as to implement those decisions while minimizing risks, harnessing opportunities and always considering reputational impact. Within a disruptive and uncertain context, LLYC helps its clients to achieve their short-term business goals and define a roadmap with a long-term outlook in order to defend their social license to operate and increase prestige.

LLYC currently has 16 offices located in Argentina, Brazil (São Paulo and Rio de Janeiro), Colombia, Chile, Ecuador, Spain (Madrid and Barcelona), the United States (Miami, New York and Washington DC), Mexico, Panama, Peru, Portugal and the Dominican Republic. It also offers its services through affiliated companies in all other Latin American markets.

The two leading publications in the sector put LLYC among the most important communication companies in the world. It stands in 44th position in terms of worldwide revenues according to the Global Agency Business Report 2020 by PRWeek and in 48th position in the 2020 Global Ranking drawn up by PProvoke.

About IDEAS LLYC

IDEAS is the Thought Leadership Unit of LLYC. We are witnessing a new macroeconomic and societal context. A similar thing is happening to communication—it progresses. IDEAS LLYC is a combination of global relationships and knowledge-sharing that identifies, focuses on and transmits new societal paradigms and communication trends from an independent position. IDEAS LLYC exists because reality isn't black and white.

Organization

MANAGEMENT TEAM

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