



AMO Insight

Corporate communications
in an environment of
shifting sands





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Introduction

In these extraordinary times, the corporate world is being shaken by issues such as AI and ESG, along with a fervent debate over corporate purpose in society. If that was not enough, politics in many of the G20 economies has become unpredictable and consequently, so has the path of the global economy, at least in the medium-term.

This unpredictability has affected corporate deal-making and investments, with US and Hong Kong M&A deal volume and IPOs down in 2019, along with the free-fall of investment into Spain and the UK - to name but a few casualties.

As if CEO's and CFO's did not have enough to worry about already...

In this paper, AMO has gathered insights about managing corporate communications in uncertain times from some of our member agencies around the globe, namely:



- France – Havas Paris/AMO
- Germany – Deekeling Arndt/AMO
- People's Republic of China and SAR Hong Kong – Porda Havas/AMO
- The Netherlands – SPJ/AMO
- Portugal – CV&A
- Spain – Grupo Albion
- The United Kingdom – Maitland/AMO
- The United States – Abernathy MacGregor/AMO



What is AMO?

AMO is the leading international network of strategic communications consultancies, providing best-in-class financial communications advice and counsel for corporations and institutions in the most important markets around the globe.

We provide thoughtful counsel to corporate boards and executives. Our mission is to help them achieve critical business goals through our powerful influence in local markets, our deep sector expertise, our broad global perspective and our ability to collectively provide seamless project management to our clients around the world, particularly in the key financial centres of Europe, Asia and the Americas.

Our best-in-class approach brings together local market leaders with unrivalled knowledge of stakeholder perceptions, financial markets and transformative company events, ranging from cross-border transactions, large-scale crises, activist situations, and regulatory matters to bankruptcy and restructuring situations.

The network was founded in 2001 by three like-minded corporate and financial PR agencies in London, New York and Paris who shared a common owner, Havas Group. Today, AMO is comprised of 11 member agencies spanning six continents and 27 countries, employing 1,200 counsellors in 50 offices around the globe.

The AMO network has consistently featured at the top of the global M&A advisory rankings over the last 15 years. In the first half of 2019, AMO agencies advised on almost 60 M&A deals worth more than €230 billion.

Country by Country Summary

France

Current Situation

France has once again been facing massive street protests and strikes in rejection of the government's attempts to reform its strained pension system.

The often-violent "yellow jacket" (gilets jaunes) protests that began a year ago prompted Emmanuel Macron's government to respond by holding a "Great Debate" in a series of townhall meetings around the country, which yielded to concrete measures such as exceptional bonuses for employees, massive tax cuts and an increase of the minimum wage, measures budgeted at €17 billion by the French government.

Partly in recognition of the government's response and in rejection of its aimless looting, public support for the "yellow jackets" had largely evaporated by October. But today things have been looking difficult again as France is once more been rocked by new round of protests, with strikes by transport workers and public employees rejecting the government's plans for a complete overhaul of the pension system.

Combined with worries about the state of the nation's hospitals and incomprehension of major privatization plans, this new protest movement has tapped into the same sources of anger and rejection of the elites that inspired the "yellow jackets". No one knows how long the unrest will last.



What this has meant for business and markets in France

Against the backdrop of these troubling events and the stagnation of the broader European economy, France has nevertheless maintained a relatively upbeat trajectory. The 2019 indicators suggest that France's GDP is moving forward with a growth forecast of 1.9% while French purchasing power has increased by 2.1%. The stock market is performing strongly and according to the latest Business France study, foreign investment in France is at its highest level in 10 years with a further 2% increase over the last year.

However, this generally positive situation is vulnerable to further labour unrest, and pundits consider that the next few months will be decisive for the government's ability to enact further reforms, much-needed as they are, and therefore for the long-term outlook for the country.

Our value-add

Havas Paris/AMO is the leading integrated strategic advisory agency in France. We provide our clients with the full spectrum of communications services and tools. Together, we help them navigate the specific complexities of entering and thriving in the French market, offering them strategic communications advice, media relations, public affairs at national, regional and local level, employee communications and engagement, and much more.

In addition to working with numerous French-based blue-chips - including global giants such as AXA, Orange, LVMH, L'Oréal, and Sanofi to name a few - we also frequently serve as the local-savvy partner to foreign companies operating in France. We have worked on a wide variety of French-focused communications mandates with many international companies, like McDonald's, General Electric, The Walt Disney Company, PMI, or Roche.

Country by Country Summary

Germany

Current Situation

Despite doom-laden forecasts for the German economy, Germany narrowly escaped a recession in the third quarter of 2019. Gross domestic product (GDP) had been expected to fall by 0.1% in Q3 compared to Q2, but instead rose by 0.1%. For the whole year GDP is expected to rise by 0.5%. However, Germany faces several challenges in its near future, not only in terms of its economic situation, even though a deep recession is unlikely, but also in more structural terms. Christoph M. Schmidt, chairman of the German Council of Economic Experts said: "In order to seize the opportunities presented by structural change, Germany does not need to reinvent its economic and industrial policy, but it should develop them further."

What this has meant for business and markets in Germany

For several years now, the pace of productivity growth has been slow. This is due to a variety of factors, amongst which are demographic change, the slow adoption of new technologies and weak investment activity. These receding dynamics are reflected in the low numbers of newly founded or closing enterprises. To counteract these changes, policy makers need to alter the parameters of economic policy, by eliminating barriers to market entry and financing, to help foster entrepreneurship and innovation, thus strengthening the growth potential of the German economy.

Other policies that could boost economic growth relate to research and innovation (R&D) as well as social issues. R&D will be crucial regarding industrial goals such as greenhouse gas neutrality in Europe by 2050, which is also a major social factor. Social policies should include the utilization and leveraging of labour market potential. Education and lifelong learning as well as increasing the participation of women and older people in the labour market could strengthen the economy.



Our value-add

We help our clients to better understand, anticipate and keep ahead of the challenges posed by economic and societal changes. Such structural changes also have huge implications for communications. A few years back the primary channel for corporate announcements was the distribution of a press release. Nowadays a much broader approach is necessary; besides the still pivotal press release, companies communicate via multiple channels and are in constant dialogue with all stakeholders.

Communication habits and opinion-forming processes have changed. Consequently, the pace of communication is continually increasing. We advise our clients on how to keep up with this shifting landscape, mapping out the societal and economic changes and trends that are relevant. In the next few years the German communications landscape will be shaped by a few central topics, such as the structural change of our industry and economy, climate change and the resulting discussions and actions, and, as it has for many years, digitalization.

Many of the challenges faced by Germany require a more international, and especially more European coordinated approach. Corporate communications are therefore set to become more international, with a stronger public affairs perspective and with Brussels becoming more and more central to corporate communications.

Country by Country Summary

S.A.R. Hong Kong

Current Situation

Hong Kong's protests over plans to allow extradition to mainland China began in June. Critics feared the proposed changes would undermine judicial independence and endanger dissidents. Until 1997, Hong Kong was ruled by Britain as a colony but then returned to China. Under the "one country, two systems" arrangement, it has more autonomy than the mainland, and its people more rights. The bill was withdrawn in September, but demonstrations continue and Hong Kong activists now demand full democracy and an inquiry into police actions. Clashes between police and activists have become increasingly violent, with police firing live bullets and protesters attacking officers and throwing petrol bombs.

What this has meant for business and markets in Hong Kong

Hong Kong's economic woes showed no sign of easing after a key measure of business confidence fell to its lowest level in more than a decade, as the city reels from the global trade war and violent democracy protests. The Purchasing Managers Index, which measures the health of the private sector, dropped to 39.3 in October, its worst reading since 2008 during the global financial crisis, heaping fresh misery on the unrest-plagued city.

The international finance hub has plunged into a recession following the fallout from the China-US trade war and five months of seething pro-democracy protests, against which Beijing has taken a hardline approach. IHS Markit, which surveys around 400 private companies to build the PMI dataset, said business activity was now falling at its fastest rate on record. The latest reading is well below the 50 level that separates growth from contraction and is also sharply down from the 41.5 seen in September.



Our value-add

It is important for foreign companies and communicators in Hong Kong to understand the difference between the local culture and Mainland Chinese culture, the reasons behind the movement and the clash, as well as the market sentiment of doing business or making a transaction in Hong Kong.

The protestors are mainly composed of students and young professionals, who represent most of the Hong Kong population. They possess the powerful ability to mobilize support for, boycotts against or even the destruction of a company. On the other hand, the core group of government supporters are elderly immigrants from China and middle to upper class citizens who demand a stable economy.

Companies are free to express their political views but should be aware of the risks of an unexpected backlash if the opposing camp feels provoked, as happened to Maxim's Group and its Starbucks network after the daughter of the founder publicly criticized the protestors at the United Nations. Depending on their size, even those companies that take a rigorously neutral stance can still face political risk due to the behaviour of individual staff.

Be prepared for crisis, formulate your reaction plan and improve employee training. In case of a public crisis, react swiftly and provide clarification supported by facts and proof. Apologize for any blatant mistakes you have made.

Porda Havas/AMO assists companies and dealmakers in public affairs, media relations, crisis management and employee engagement in complex political situations. We have a diversified culture and our experienced consultants have strong local roots and global vision to handle cross-border transactions and assist foreign clients to adapt to the local market.

Country by Country Summary

The Netherlands

Current Situation

Gross domestic product (GDP) grew by 0.4% in the third quarter of 2019 compared to the previous quarter. This is equal to the growth of the first two quarters of 2019. The increase in GDP in the third quarter was mainly due to consumption.

In the last quarter of 2019, a recent ruling that tightened control of nitrogen emissions entered full force. This directly impacted the farming and construction sectors. An estimated 4,000 construction projects were slowed, there was discussion about large-scale reduction of agricultural livestock, and speed limits on motorways. It is expected that more industrial sectors will also be impacted by the issue.

What this has meant for business and markets in The Netherlands

ESG issues are dominating debate in the Netherlands today. Climate change governs the agenda for politicians as well as business leaders. At the same time, there is a call on large corporates to redefine their purpose, while the government is openly questioning the extent of its responsibility in terms of controlling strategic assets and activities.

In recent years, the government has been more involved in decision-making in Dutch corporates, notably with a focus on remuneration and purpose, but also acting as a guardian of Dutch interests in companies considered vital for the Dutch economy.

These have included:

- protecting the postal activities in PostNL against takeover by Belgium's BPost;
- discussions with Shell and Unilever related to location of their head offices;
- opposition to PPG's intended offer for Akzo Nobel;
- the acquisition by the Dutch state of a 23% stake in Air France-KLM.



New legislation is being discussed in the Dutch parliament to reduce the notification requirement of interests in listed companies from 3% to 2%, and to lengthen the cool-off period for uninvited offers from 180 to 250 days.

Traditionally the Netherlands enjoys a strong position when it comes to treaties related to corporate affairs. It has tax agreements or other treaties with most countries in the world and combine these with liberal corporate laws, making the country an attractive place for companies to headquarter. Although today it is primarily large international corporates that benefit from these rulings, pressure on the government for greater fairness in taxation is increasing and it can be expected that the scope will soon broaden to smaller companies.

Our value-add

We help our clients to better understand the implications of all the above and what this means for their reporting and communications. Numbers still matter, but we can help shift the focus to correspond with the requirements of long-term value creation that increasingly define the agenda. This means value for owners as much as for other stakeholders like employees, NGO's and society in general. We advise our clients on how to keep up with this changing communications landscape and will map out the societal and economic changes and trends that are relevant.

Country by Country Summary

Portugal

Current Situation

Since 2015, Portugal has had centre left-wing Governments controlled by the Socialist Party, mainly focused on returning benefits to people as the country emerges from its bail-out, juggling the needs for GDP growth with debt reduction and deficit control. The re-elected Government does not hold a majority, nor does it have a formal Parliamentary coalition, which means Portugal may be facing some difficult days ahead. Increased opposition on the left and now also on the right, together with stronger environmental activism, is opposing many necessary public and private projects. Despite such challenges, the Government is likely to complete its full four-year mandate.

What this has meant for business and markets in Portugal

Due to this instability, companies in Portugal are faced with the difficulty of navigating between the government's desire to attract investment and boost the economy and the difficulties posed by politics, labour issues and the weight of bureaucracy.

Several key projects have recently encountered such challenges. These include ventures related to lithium production, natural gas prospection, telecommunications and the energy sector.



Our value-add

Since the 2009 crisis, CV&A has significantly strengthened its Public Affairs and Governmental Affairs offering, reflecting the fact that, due to the challenges our clients face in this market, these areas have grown in importance relative to media relations.

Market intelligence and stakeholder mapping are today core services we provide our clients, helping them manage their projects away from the glare of the media, delivering better results in terms of corporate reputation.

Country by Country Summary

Spain

Current Situation

Spain has held four General Elections in as many years, the last of which, in April 2019, did not dispel the gridlock despite a clear shift towards the right.

Pressing social issues such as Catalonia, depopulation of rural areas, and unemployment at 14% are the key elements facing the leaders of the socialist PSOE, Pedro Sánchez, and far-left Unidas Podemos, Pablo Iglesias, as they seek to secure the broad parliamentary support.

There is a high risk that their newly formed coalition Government may prove ultimately ineffective, since it will have to rely on the Catalan pro-secessionist party Esquerra Republicana (ERC) which demanded dialogue to address the situation in Catalonia in exchange for the abstention of its 13 MPs. The centre-right and right parties have been staunch opponents of both alliances with ERC as well as the PSOE's approach to the Catalonian situation, and this could deprive the Government of the necessary support to approve key legislation.



What this has meant for business and markets in Spain

Although the protracted period of political uncertainty (now entering its fifth year) has impacted the volume of foreign productive investment in Spain (down 63% YOY 2019), the economic fundamentals are still, for the most part, unaffected. The Ministry of Economy and Business presented Brussels with a budgetary plan that includes a more “cautious approach.” S&P’s recent upgrade of the outlook for Spain’s sovereign debt and the country’s GDP forecasts (albeit recently downgraded by 0.04% to 2%) are testament to Spain’s resilient economy, even in an adverse international climate. The flow of M&A deals has continued, pursuing the growth trend which began in 2015 and underlining Spain’s potential as an investment, transactional and commercial destination.

These positive figures can be attributed to a strong and diverse base of SME’s; as well as legal and regulatory stability. According to the World Bank Group’s Worldwide Governance Indicators, in 2018 Spain ranked over the 80th percentile globally in regulatory and legal quality. Likewise, Freedom House’s Freedom in the World 2019 report considers that Spain’s Government operates with openness and transparency. The country also has a well-prepared base of professionals, recognised by the OECD for its high rates of tertiary formal education, notably in the fields of business, administration and law and in natural sciences, mathematics and statistics.

Our value-add

Grupo Albi3n is a full-service corporate and financial communications consultancy based in Madrid. Founded in 1991, we help companies, public and private sector institutions, governments and financial markets to develop and deliver distinctive and effective corporate and financial communications strategies appropriate to their different stakeholders.

We have advised capital market transactions for a total value of over €183 billion. Broad and deep knowledge of our markets, drawing on daily market intelligence, a team of financial-industry experts and over 28 years of experience in domestic and cross-border deals, have enabled us to guide transactions in recent years, helping both buyers and sellers to navigate the often-unclear landscape and allowing them to benefit from our insight into corporate positioning and appropriate and relevant narratives.

Country by Country Summary

The United Kingdom

Current Situation

Prime Minister Boris Johnson's resounding success in the UK General Election provides a clear path towards securing the UK's departure from the EU by 31st January. While negotiations with the EU on the future trading relationship (Free Trade Agreement) will continue throughout 2020, after three years of division and uncertainty, the focus is already turning to re-uniting the country and "unleashing its potential" for the decade ahead.

Recognising the trust placed in the Government by many former Labour voters in the north and Midlands, expect a shift of political attention aimed at levelling up opportunities and economic growth across the UK's regions. The spring Budget is likely to include announcements on capital spending alongside a programme of increased devolution of powers to local politicians and business groupings. With increased public spending already identified, there is a clear desire to demonstrate real improvements to people's lives.

During the transition period the UK and the EU have nearly three years to negotiate the FTA, during which the UK stays fully aligned with the EU and pays its EU budget contributions. The initial transition period ends on 31st December 2020, but could be extended to 31st December 2022. However, until now Johnson excluded the possibility of an extension. The EU's position has been that trying to negotiate the FTA during the initial period is unlikely to succeed and that more time will be needed.



Implications for business and markets in the UK

Immediately after the exit poll was published on election night, the pound soared, and the following day saw rising UK stock indices. However, trade talks with the EU will likely not start until the beginning of March, so the prospect of a “no deal Brexit” has again raised its head.

Despite an uplift in the national mood based on greater clarity about the future, the key framework for defining said-future of manufacturing and the City is still to be agreed. Consequently, there remains a high degree of uncertainty, possibly resulting in delayed hiring and investments. It is also expected that the UK IPO market will stay subdued for 2020. UK M&A activity, which halved in 2019 (Eurozone M&A declined by a third in the same period), faces a similar prospect. While foreign investors are being subjected to closer scrutiny where national security is an issue, the recent Advent/Cobham deal did receive approval at the end of 2019.

With the UK already committed to achieving net zero emissions by 2050, businesses should expect to be asked to do more. Increasingly, companies are being required to deliver a purpose as well as profit, and executives are facing tougher scrutiny from regulators, politicians, the media, shareholders and consumers.

One area of growth is green bonds, boosted further by regulatory moves to encourage divestment away from fossil fuels and make the transition towards a zero-carbon economy.

Our value-add

We help clients identify and mitigate risks, prioritise areas of focus and leverage opportunities by providing strategic advice on the changing political and media, business and environmental landscape.

We advise on how best to navigate the competing calls for media and political attention, with tailored messaging, media and engagement programmes and thought leadership.

Country by Country Summary

The United States

Current Situation

With the 2020 U.S. presidential election ahead and geopolitical uncertainty continuing to reign, politics is a key factor for dealmakers and companies considering whether to pursue or delay plans for M&A. The highly polarized climate combined with a shifting regulatory landscape has made M&A increasingly complex to navigate, particularly heading into an election year. In the United States, we are seeing federal and state antitrust agencies taking longer to reach decisions on transactions and providing increased scrutiny to deals that in prior years may have been quickly ushered through or not reviewed as extensively.

What this has meant for business and markets in the USA

Of note, the White House is exerting greater influence over antitrust review, as demonstrated through Broadcom's attempted takeover of Qualcomm and the efforts to block the AT&T-Time Warner merger. Amid this politicized climate, even state attorneys general have begun to wade into antitrust matters, challenging deals that have already received approval from federal antitrust agencies – a phenomenon that, in reviewing deals as far back as the 1980s, has not occurred until now.

While historically state attorneys general have tended to only challenge mergers in partnership with federal regulators, over the past several years they have taken a more proactive role in antitrust matters, with some success. For instance, Valero Energy Corp.'s proposed transaction of certain assets from Plains All American Pipeline LP was ultimately abandoned after a judge ruled in favor of a lawsuit brought forth by California's state attorney general, despite the Federal Trade Commission's and U.S. Department of Justice's go-ahead.

Bayer's acquisition of Monsanto last year and T-Mobile's planned merger with Sprint were both threatened by intervention from attorneys general despite clearance from the DOJ. Strong attorney general involvement in merger review remains uncommon. Nevertheless, this recent uptick in antitrust enforcement being driven at state level demonstrates the need for companies to retain an awareness of the US political landscape when planning US transactions and formulating both corresponding legal and communication strategies accordingly.



Our value-add

From a communications standpoint, companies need to have a clearly defined communications plan in place from announcement day through deal closure to ensure consistent communication with key stakeholder groups throughout the review process. This should also clearly outline opportunities for the company to proactively drive the media narrative, anticipate potential criticisms, and prepare a response plan for any new threats that may emerge.

At Abernathy MacGregor/AMO and across the AMO network, we help our clients communicate the merits of a transaction to all key audiences across this complex environment. We help map opportunities for earned media and targeted advertising as well as strategies to leverage executive social media handles, supportive third-party commentary and owned content, such as blogs. Such strategies prepare the company for the expected drivers of media coverage during the review process (i.e. shareholder vote, comment period, federal and state antitrust approvals). It also prepares them for the unexpected, such as a state attorney general lawsuit or strong partisan opposition, positioning the company to ensure the value proposition of the merger continues to be understood.

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