

Overseas ventures need support from foreign public

By Sameh El-Shahat Source:Global Times Published: 2011-6-21
20:31:00

Illustration: Liu Rui

Chinese companies' mergers and acquisitions abroad have often proved frustrating despite their ambitions and often generous offers.

I appreciate those companies' frustration. They thought, according to Chinese business culture, that if they made the highest bid, this would be appreciated and raise their chance of success.

In the West, however, business negotiating practice doesn't reward generosity. The highest bid might get the other side to play hard ball even more.

For instance, Chinalco's deal with Rio Tinto in 2009 never had a chance because Australian politicians got in the game and played the nationalist card.

Chinese companies doing mergers and acquisitions abroad do not yet understand how most of their deals will become politicized and how to deal with such a situation. They need to communicate more strategically and proactively. Chinese telecom giant Huawei's US adventure, where its attempt to buy into the US market was ultimately rejected by the government, is a case in point.

Chinese management strategy still places too little importance on communication. In China, communication has been seen as a functional thing to do when really needed, such as in a crisis or when they need to advertise a new product.

Communication strategy is secondary to management strategy and is often left to foreign advisers with little understanding of or loyalty to the Chinese client. So they end up using management and communication techniques borrowed verbatim from Western companies. This is very risky. Western companies have had decades to perfect their management and brands. They have built up an incredible amount of goodwill capital globally. What works for them cannot work for Chinese companies which have no such advantage.

Chinese companies' literature oozes with jargon like "multinational," "global" or "green" no doubt suggested to them by their foreign advisers as if that will somehow dilute their Chineseness. But buzzwords such as "global" or "multinational" won't convince people who associate China with Communism, corruption, and expansionism.

Such language sounds cynical even for Western companies, let alone Chinese ones. Chinese companies cannot make any bias against Chinese firms go away by borrowing meaningless jargon. But its effect can be minimized if Chinese companies genuinely communicate what it means to be a Chinese organization today and what benefits other than price they can bring to foreigners' lives, using the language and values

of the target audiences.

I don't see this being done today because it requires an exceptionally unique skill set by the communication advisor as well as a real commitment by the Chinese companies themselves to identify the need to change their behavior.

The wider public matters immensely because Chinese mergers and acquisitions and joint ventures are now being rejected for highly sensitive and populist non-business reasons like national security and technology and job transfer. A limited group of foreigners see Chinese companies as cash cows to milk. They are usually businessmen, bankers and lawyers, but will tell Chinese companies what they want to hear given the fees they will all earn.

The problem sadly is that these people are a very limited special interest group, far removed from the wider group of stakeholders that Chinese companies need to reach but fail to: the foreign public.

US politicians knew they could get more public approval by blocking Huawei's purchase of 3Com than by letting the telecoms company invest more in the US. In the last US mid-term election, Democrats and Republicans outdid each other to bash China. The same happened to Chinalco in Australia.

In both cases, the Rio Tinto and 3Com boards were for the deals, but politicians sabotaged it.

Chinese companies are not engaging with the wider public, but instead are communicating to small pro-Chinese special interest groups. This kind of communication style cannot be borrowed; it must be created because the emergence of China is unprecedented and needs to be taken up at the highest levels of management. Otherwise Chinese firms will be permanently stuck with an outdated and negative image all too easily exploited by foreign politicians.

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