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The 'social license' to do business

By Xu Qin | December 6, 2015, Sunday | PRINT EDITION



WITH his kinky bush of hair, Sameh El-Shahat looks more like a pop star than a specialist in risk management and corporate branding.

In 2008, the Egyptian-born entrepreneur and his sister found China-i Ltd., a company dedicated to helping Chinese companies climb the value ladder by raising their international profiles.

El-Shahat's family moved to Britain when he was still young. He

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graduated from Cambridge University with a masters degree in engineering and international relations.

"My father was a politician in the 1950s and 60s in Egypt, and he considered a meeting with former Premier Zhou Enlai a highlight of his career," El-Shahat said. "Though that was before I was born, he always told us how warm the Chinese people were and how much we shared in values as the two oldest civilizations in the world."

El-Shahat worked for a decade as an investment banker with Union Bank of Switzerland in London, New York and Zurich before he left finance to set up the luxury design studio Tavola Rasa in 2000, focusing mainly on branding and communications.

He found that many Chinese companies with quality products had difficulty adapting when they tried to expand abroad. The companies faced cultural differences and were often greeted with suspicion and distrust, he said.

"We see China as the missing part in the global communications puzzle," he said. "It was and remains a towering giant punching below its weight. It was to help China rectify this situation that China-i was founded."

In 2008, the company opened its first office on China's mainland. Since then, he and his team have worked closely with Chinese government departments and some of the nation's top companies, both state-owned and private.

Advice eagerly sought

He regularly visits Shanghai, where he lectures at the China Executive Leadership Academy. His advice on crisis management and corporate reputation-building is eagerly sought by many executives and political leaders.

"Communicating constantly and effectively is still unique to the Chinese," he told Shanghai Daily.

"Most Chinese companies overseas prefer to do more and talk less. It is often the situation where you wake up in the morning somewhere overseas, go outside and see Chinese workers en route to their jobs. They look at you and say hello, then disappear. They don't really stop and talk to people."

No communication can equate to "I don't care," according to El-Shahat. It conveys the message to foreigners that the Chinese are there only to make money but don't care about local people. That makes foreigners view the Chinese with suspicion and make eliciting investment more difficult.

He cited the example of a Chinese oil company wanting to drill in Africa. The company received a license from the government and signed a contract with a local African company. But if it doesn't begin communicating with local residents, the project could face failure at the grassroots. El-Shahat calls that the "social license" to do business.

"The social license is the relationship forged with local people," he said. "It's not a piece of paper, but rather a long-time commitment of engagement. It means telling locals that they, too, have a stake in a project, so their opinions are important."

That's where so many Chinese companies founder. They talk to government elites but not to the grassroots, he said.

Despite his hectic schedule, El-Shahat is learning Chinese and particularly loves writing the characters.

"There wasn't a moment of culture shock when I set foot in China," he said. "Despite having lived in the UK for most of my life, I found my Egypt brain woke up in China."

El-Shahat said he thinks President Xi Jinping well understands that being big and powerful isn't enough when going abroad. China needs to match its words on "cooperation and mutual benefit" by forging closer ties with the local residents of foreign places.

Take Geely for example. In 2013, when the Chinese automaker acquired the struggling black-cab business, one of Britain's icons, it accompanied the investment with a pledge to retain the group's 107 staff and manufacturing site in Coventry.

Geely's strategy in buying Coventry-based Manganese Bronze, maker of the London cabs, was a masterstroke, according to El-Shahat. The company decided that its investment in the UK would be long term and making profit was not its only goal.

"By getting the British people on side, it involved them in the concept of the Chinese dream," he said. "Geely saved the London taxi. It maintained production in the UK. And it is now taking the British taxi global with a new plug-in hybrid taxi. It revived a brand by using Chinese ingenuity."

The concept of the "Chinese dream" is a great piece of communications, El-Shahat said. He described it as a "great pool" of all the values that show the strength of the Chinese people. People with a dream live not only for today but also for tomorrow, so even if today is difficult, tomorrow will be better.

He said the recent announcement from the International Monetary Fund that it is adding the yuan to its select basket of world reserve currencies is a major milestone for China.

"Congratulations to China!" he said. "The decision is recognition of China's achievements in economic growth and opening up. But here's the rub. When countries keep foreign currencies in their national reserves, they look not only for stability but also for clear communication from the financial authorities overseeing those currencies. If anything happens, investors will want clear and prompt reassurance from the Chinese financial authorities."

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