

Public Relations in China Pursues the Middle Way

Interview with David Weiner, Senior Partner at National Public Relations
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[CM]: Hello, David. What prompted you to come to Beijing last November as a professor?

David: My work as a consultant in North America. Beginning in 2003, I agreed to be a guest professor each year at China's Tsinghua University. My colleagues thought I was crazy because it meant time away from our consulting practice. But I thought it was important to help China's next generation of business leaders - some of whom will be future CEOs - understand communications and public relations. This is also part of our new business strategy for China.

The biggest challenge in teaching has been that Chinese know little about public relations. I believe public relations facilitates communications between China and the world, and plays an important role in globalization. But practically speaking, if the market here is not ready, growing our public relations business here will be difficult. Yet I continue to look forward to new business opportunities in China.

Currently, I am teaching in the joint Tsinghua/National Accounting Institute MBA program, supported by the World Bank. The World Bank expects that China's market economy could better fit in the WTO track if greater communications, transparency, corporate governance and information disclosure were encouraged.

[CM]: Tell me about the course you teach at Tsinghua?

David: The communication course in MBA programs typically includes elements like business letter-writing and job resume-writing. But I believe the next generation of business leaders needs to understand mass communications as well as individual communication skills. For that reason, I designed a course using case studies of Asian companies (including Chinese), to allow students to better understand how communication influences business activities. I felt that they would pay more attention to corporate communications if they understood its importance to a company.

The course also combines Chinese-specific crisis case studies, such as the gas leak in Chongqing, with a focus on crisis management. I also share with students my personal experiences in international consulting, and introduce the concept of crisis management in different markets, including the United States, Canada and Europe, to give them a deeper understanding of stakeholders' influence on a company, and the role of public relations.

[CM]: How is your PR business in Canada?

David: We have quite a large operation in Canada. NATIONAL started nearly thirty years ago in Montreal. In terms of Toronto, a colleague and I, who had been working for Burson-Marsteller, left that firm 20 years ago because we hoped to do public relations in a different way, and started the Toronto office. Our firm became known as National Public Relations, a name which is meaningful in Canada but doesn't translate effectively internationally. So, our British operation, for example, is called Axon.

Canada has a big domestic market for public relations, where we have a total of 300 employees with seven offices. According to O'Dwyer's ranking criteria, if we were in the U.S., we would now be ranked about the fourteenth largest U.S. PR firm. The Canadian population is 1/10 that of the U.S. and its economic scale is only 1/14. PR firms such as Burson-Marsteller, Fleishman and Edelman each has a team of 900-1,000 in the US market, but our company still could be seen as the market leader if comparing the market size of Canada and that of U.S.

Our team is divided on two bases: client industry and service streams such as corporate reputation, media relations, government relations and investor relations. Our Canadian team has 15 MBAs, 5 lawyers and 3-4 pharmaceutical Ph.Ds, who are mainly responsible for clinical research rather than communications services.

Pharmaceutical companies can spend billions of dollars on new drug R&D, and a drug only enjoys IPR protection for 15 or so years in the U.S. and Canada. However, six or seven years of the IPR protection period are used for medical research. Our Ph.Ds are ready to assist international pharmaceutical clients to develop appropriate clinical trial methodology for drug testing, which can help speed up time to market for new drugs. Before the launch of a new drug, we will continue to assist them in organizing various pharmacy and medical meetings and providing training to key audiences. Once the new drug is launched, we follow up with public relations services to manage various issues. In this way, our client relationships can last for about ten years. These clients have significant budgets for communications, which is important to our business success.

[CM]: Many well-known U.S.-based PR firms have had operations in China for some time and established strong local footholds. Do you have any plans to enter into the Chinese market?

David: Our company is paying a lot of attention to the Chinese market, which we believe offers significant business opportunities. For now, our focus is targeting Chinese companies interested in expanding to markets in North America and Europe. However, our local knowledge is limited and we cannot afford the risk entering into the Chinese market yet. This is why we are not so anxious to open an office here, and we now feel it is more comfortable to form business partnerships with established local PR firms.

[CM]: From your point of view, what do you believe are the business opportunities offered by the Chinese market?

David: We see three significant business opportunities. First, many Chinese companies want to build up a strong brand image, creating a huge market opportunity for brand- building for companies like Haier, for example. I think their brand-building is quite successful but it is just the beginning. Secondly, once a company has a good brand name, it may seek a public listing overseas and need to establish appropriate investor relations in western capital markets. Thirdly, after building successful brands, companies will need to deal with the issues such as public affairs, event management, human resources management and employee relations management.

[CM]: I read an article you wrote in which you discussed the concept of “guanxi” in China. Would you like to share us with your views on this?

David: In the Chinese language, public relations is translated as *gonggong guanxi*. I know that *guanxi* has a wide and deep influence on the Chinese community and it means personal relationships, mutual benefits and joint responsibilities. In the traditional sense of social hierarchy, this relationship originated from exchanging of gifts between people and has evolved into a more substantial connection reinforced through important business interactions. In the western world, the key to corporate decision-making is opportunity and exchange, or “what do you know?”, but in China, companies prefer to look at their partners’ resources and personality, and ask “whom do you know?”

In the beginning, my students didn’t really understand the meaning of “public relations” and some of them believed it meant only maintaining their public relationships. Their understanding of public relations was different from the western sense of the term, which is based on product and service quality and a “good corporate reputation.”

In fact, even in the U.S., many people misinterpret the term and think public relations is just shaking hands and making media announcements. In my opinion, it would be more suitable to describe our industry as “corporate communications” rather than “public relations”. Some also suggest using “public affairs” or “reputation management”. Until now, there has been no definitive answer.

[CM]: In the past, branding has been a popular subject, but now PR firms and companies are attaching greater importance to corporate reputation. What do you think about this?

David: Consumers worldwide, especially those in the western countries, pay great attention to fundamental factors like price, quality, function and availability of the products offered by a company. It's certainly why world leaders in all sectors are committed to offering competitive prices and high quality products and services. Under these circumstances, consumers are more likely to differentiate companies and make their purchasing decision based on whether they like the company.

For instance, if a natural gas company pollutes the environment during its operation, consumers may reject its products and services. A company's reputation may also impact its investor relations. We often say that companies can drop overnight from a hero to a zero due to damaged reputation. Although some reputable companies may survive from making mistakes once or twice, making mistakes is very dangerous and companies need to be vigilant.

Effective communications is the bellwether of successful businesses. The leading, most reputable and most successful western companies are those that have paid the greatest attention to communications. I have been promoting to my clients the idea of having a "Chief Reputation Officer" (CRO) in their companies to help increase operational transparency, openness and corporate social responsibility.

[CM]: What's your personal view on the definition of brand and reputation?

David: Many experts agree that a strong brand can be a company's entrée into new markets, supporting higher pricing to consumers and a higher equity premium to investors. In addition, a strong brand helps companies keep their best employees. Nevertheless, brand is not the only key to corporate success. I think brand is secondary to reputation.

The best brands in the world, such as Wal-Mart, GE, P&G and Microsoft, all share a commitment to product quality, value and reliability as well as innovation and vision. But they also share a commitment to reputation. Therefore, I believe that the corporate reputation and corporate personality, will decide a company's destiny in the global economy.

Branding is how you see yourself, but reputation is how other people see you. So, to be a global brand, you have to have a strong corporate reputation. To achieve this goal, there are two important considerations: first, the public defines reputation, not the company; and second, there are various criteria for measuring corporate reputation, including product and service, financial performance, management quality, workplace culture, and corporate contribution to the economy and social environment.

[CM]: What do you think the public's role is in building corporate reputation?

David: For a long time, there was a conflict between corporate interest and public interest. As the public became increasingly conscious of their social and economic rights and interests - and their increased ability to change the situation - this conflict widened. Under these circumstances, enterprises began to acknowledge the public as key stakeholders. For example, in the late 1990s, the proposed merger among major Canadian banks failed because of the general public's opposition. The banks wanted to become expand their global banking presence by merging, but they overlooked what their existing customers thought, and did not explain to them how getting bigger would benefit them.

[CM]: The media has a significant impact on communications. What trends are occurring in North American media?

David: The environment for media in China is improving, and reporters are digging more deeply into important events. I feel that the media environment in North America is getting worse. In the past, North American media reported the news and knew an event should be reported from both positive and negative sides; but now they prefer to create news and events. Media seek controversy. Oversimplifying a story or reporting poorly on it can affect credibility and the public's understanding.

I always joke with my clients that I spend half of my time getting clients in the news, and the other half keeping them out.

Previously, businesses made plans based on 2-5 year horizons. Now, more of them are making plans based on quarterly targets. But, in this environment, if your quarterly income misses forecast by one or two cents, you will disappoint the investors and your stock price could drop by 30% or even 50% as a punishment from investors. I believe that all of these trends are related to the media's style of reporting. Everything happens very quickly, with almost simultaneous chain reactions and no time for anyone to analyze the event itself.

[CM]: What do think of the reputation-building of Chinese enterprises?

David: Reputation is important to Chinese companies wishing to enter western markets, where the reputation of any single Chinese enterprise will be linked to the reputation of China itself, and the positioning and image of a Chinese enterprise will be representative for the Chinese people. This may be unreasonable but it's a fact. Today, Chinese enterprises such as Haier, Legend and Tsingtao Beer are household names in China, and are in, or planning to enter, the North American market. However, their success in overseas markets is not guaranteed, because the public is setting more demanding criteria of all enterprises.

At present, reputation research carried out by Chinese businesses is shallow. This is not because they attach little importance to the issue; rather, it results from traditional Chinese business thinking. I believe Chinese enterprises should pay greater attention to expectations in the countries where they operate in areas like corporate social responsibility and environmental protection. Today's consumers are not just buying a product; they are buying the company itself, based on their overall image of the producer of that product. Dissatisfied consumers can be very risky for the enterprises.

[CM]: Your firm has not entered the Mainland market, yet you seem to be familiar with Chinese-specific public relations?

David: I found public relations among Chinese focuses more on private relations, where enterprises are an extension of families, and nearly all decision-making is exercised among family members and close friends. It is not realistic to expect Chinese enterprises to totally give up their business values, but it is equally not realistic for them to resist changes and expect to participate fully in economic globalization.

In addition, there is the influence of Confucius. Chinese people typically act modestly, but such modesty may limit communication between an enterprise and the public.

Everyone needs to be aware that, in modern commercial society, it would be unusual for the CEO of an enterprise not to communicate substantial corporate information to media and outsiders. Successful PR must align individual personalities with the corporate personality.

[CM]: Based on your experience in China in the past two years, what do you think are key trends for Chinese PR business in the future?

David: Economic reforms in China are having a significant influence on Chinese business practices, and prompting the need for a higher level of interaction between all Chinese institutions and their publics. With the emergence of a Chinese middle-class, people are paying more attention to information about the products and services they purchase, and the Chinese government is appearing to be friendlier to its people in all aspects.

All of these suggest that public relations in China will be a prosperous industry in the next few years.

Some argue that, as time goes by, the public relations market in China will be dominated by the western business model. I do not agree. China is a socialist country with a 3,000 year tradition of oriental philosophy. I cannot imagine it will completely follow the western business model. I believe that the public relations profession in China will develop in its own way, one that will perfectly fit with Chinese values as well as the needs of global investors. China will take the middle way, striking a balance between traditional Chinese values and international business practices. The success of China will be decided by the country's ability to find and apply the "middle way" in the complex North American business environment.