



The Importance of Reputation for Chinese Companies Overseas

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The Importance of Reputation for Chinese Companies Overseas

LehmanBrown is happy to co-publish articles that it believes will be interesting to companies entering China or Chinese companies expanding overseas. Whilst as an accounting and advisory firm, we are focussed on all matters linked with finance and operations, often overlooked is the importance of communications. This article is written in association with Project Associates, a global public relations and communications firm which supports Chinese businesses as they expand abroad, helping them build and manage their reputation.

How Chinese companies can improve their image abroad.

Chinese companies are exploring opportunities in overseas markets in greater number than at any time in the country's history. Spurred on by the Belt and Road Initiative (BRI), over the past several years, both SOEs and private companies have grown their businesses across the world.

However, while Chinese companies have sought the advice of a range of advisers, including accountants, fiduciary service companies, lawyers, auditors and management consultants, communications and reputation management remains an area often ignored.

At the same time, due to a combination of geopolitical, economic and social factors, a company's reputation is more important than ever. Across the world, host governments, investors, consumers and employees are paying close attention to how a company is perceived. More often than not, the reputation of a company is now crucial in determining its business success.

As a result, proactively managing a company's reputation through strategic communications is no longer a nice thing to do; it is a business imperative. Strategic communications must be a crucial part of a business' strategy, given the same priority as legal, financial and business development operations.

For Chinese companies investing overseas, there are two main ways to ensure their reputation supports their business objectives: proactive positioning and preparing for potential issues and crises. Both aspects are examined below in turn.

Building a positive reputation depends on successfully working out what you are trying to communicate, whom you are communicating to, how you will communicate and why it matters. The last part is perhaps the most important. Recently to talk about a business' purpose has become well understood. As expectations around transparency increase and audiences demand a greater focus on the environment, social and governance (ESG) issues, a company needs to explain why its operations make a positive contribution to the world. This is as true for consumer-facing industries as it is for more traditional B2B operators.

Increasingly, reputation management consultancies are working with their clients to define what their purpose is. Clearly, this will be different for every business, but the fundamental questions remain the same: what social good are we bringing to the host country, who will benefit and why should local governments and societies put their trust in us? Until those questions are answered thoroughly, an organisation's license to operate will be questioned, if not threatened.

Once answered, communications departments need to be on the front foot, telling their corporate story and building trust amongst decision-makers, influencers, and the public that will reap dividends in the good times and the bad. While the audience, messaging, channel, and content might differ, all

companies need to develop a narrative that is both authentic and translates to the specific cultural requirements of that market and create a content and channel strategy that tells that story in the most effective way possible.

Too often, Chinese companies overseas see government relations as the key to successful operations. However, while communications with governments remain hugely important, it is only part of a successful communications programme. In many markets government policy is driven by wider societal factors, not vice-versa, and a failure to build a strong reputation with a broad base of social actors (such as consumers, think-tanks, academia, business organisations, NGOs etc.) may create barriers to growth. Instead, companies must build holistic communications programmes, which speak to all audiences in the market, in ways which resonate with each particular group. For example, a partnership with an academic institution to develop a whitepaper may support a company's communications with regulators but may need to be supported with a social media campaign which addresses concerns unique to citizens in a local community.

This type of approach takes time, as the trust necessary to run a business in a foreign market is not built overnight. Besides, the best strategic communications programmes will work hand-in-hand with a company's legal and financial strategy, meaning that communications advisers, lawyers, accountants and other consultants will achieve the best results when they work together. From experience, the results speak for themselves, allowing a company to run sustainable and profitable operations in the long term.

Of course, it only takes one crisis to damage a company's painstakingly built reputation quickly. Chinese companies are currently facing a host of reputational challenges which, if not handled carefully, may cause irreparable damage to their brand. Recent examples have included issues concerning local communities, environmental protection, national security, labour relations and consumer trust. Indeed, the fact that many BRI projects involve highly-complex issues in politically sensitive and high-stake sectors only heightens this risk. It is crucial, therefore that a company prepares for a crisis before it happens.

Sadly, communications are often viewed as a kind of insurance: you don't need it usually, but you can use it when a crisis happens. As has been shown above, the first step in ensuring a crisis does not destroy a business is by having a wide-range of supporters across the market, whose trust has been built on seeing a company contribute to society over the years.

The second step, though done at the same time as the longer-term positioning work, is putting in place crisis handling protocols. These include mapping out potential crisis scenarios and responses, ensuring messaging is frequently refreshed and up-to-date, training the relevant spokespeople, preparing crisis handling guidebooks and ensuring the decision-making and escalation processes are well understood throughout the company. This means that internal communications need to be as carefully planned out as external communications.

A successful crisis response strategy won't guarantee serious reputational consequences will be avoided. Indeed often a successful response involves admitting mistakes and communicating a serious desire to learn from them. However, if a company has a long-term track record as a good corporate citizen and demonstrates that it addressed the issue quickly and thoroughly, the path to recovery is a much easier one.

At a time of great uncertainty, Chinese companies are coming under the spotlight more than ever before. The answer is not a period of withdrawal, to wait and see if the global environment will become less complicated. Instead, companies must positively engage with the markets they are in, communicating the benefits they bring and positively engaging with both supporters and detractors. When combined with robust crisis response strategies, Chinese companies will be well-positioned to continue to grow across the globe.

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