

10 Tips for MNC Positioning in China



"If foreign companies in China cannot break out of their inertia thinking and traditional model, try to pressure the Chinese government to resume their "super-national treatment" while being miserly in bringing the latest technology or R&D to China, and simply view China as a cheap labor and production base, then it will be very difficult for these companies to adapt in line with China's urgent need to transform the economic development model and pattern."

– Xinhua News Agency

"In the wake of the financial crisis, many multinational companies have given China top priority in their business strategy. Multinational companies are role models for their Chinese counterparts in energy conservation and to shoulder corporate social responsibilities. Competition between multinational and domestic companies will help certain Chinese companies upgrade their operations. They will also help China form a favorable foreign diplomacy environment for China's growth in next decade."

– Researcher from the MNC Research Center under the Ministry of Commerce

As the quotes above suggest – expectations of foreign companies in China are evolving – and rising.

Indeed, as the reform and opening process in China deepens in line with the 12th Five Year Plan, Chinese expectations are rising across the board as the country moves forward in addressing fundamental challenges in areas such as education, healthcare, science and technology and the environment.

Bearing this in mind – here are 10 things foreign multinational companies can do in China to better position themselves – and to manage related risks and opportunities.

1. Avoid any move or decision that could be interpreted as applying a "double-standard" with respect to China, e.g., not recalling a product in China when you recalled the same product in the United States or Europe; e.g., not doing any CSR programs in China when it is your most profitable, highest growth market – and Chinese stakeholders can find abundant examples of the CSR you are doing in other countries through your global CSR report; e.g., not adhering to the same high environmental or safety standards in China as you do elsewhere.



2. Tell your corporate story in terms of how you are supporting China's development. Make it real – with tangible examples that demonstrate an understanding of China's development goals and development stage. A China-focused Sustainability Report is an excellent platform to tell such a story holistically – and to engage stakeholders in the telling.

Remember that expectations of foreign investment and foreign companies in China have changed in many aspects from five or 10 years ago. So make sure to focus on what is relevant to your stakeholders today – for example how are you helping Chinese companies in “going global”, improving energy efficiency or moving up the industrial value chain.

3. Build or strengthen partnerships with credible local stakeholders that contribute to Chinese development needs and goals. Corporate responsibility programs are an excellent platform for this – as long as they are sustainable, relevant to your company, make a real impact and are communicated in a measured way.

4. Educate your company leadership and key departments on the evolving China context (or get educated if you are the leader!). There are myriad ways to do this through research and analysis, reporting, training or other programs. A dedicated China context seminar can be great way to focus the top minds of the company on this fast evolving country. This can involve presentations from external and internal stakeholders and experts.

Consider such a session the next time your global board visits China. Or before a decision is made on an intellectual property law suit, a new global R&D center or the potential acquisition of a well known Chinese brand.

5. Create a China advisory board. Bring together Chinese experts with in-depth knowledge and experience to help your company navigate and understand China on a different level.

6. Make sure you have the right people with the right resources, knowledge base and tools to manage issues and a crisis. Many MNCs have learned the hard way that there is no substitute for preparation and experience in managing a crisis. Nowhere is this truer than China – where the handling of the crisis can so often become a crisis in itself.

Knowing how the media work and influence each other in a crisis in China is just one example of essential crisis communications knowledge. You need someone on your team who can tell you in a nuanced way what it means if it is Caixin, Xinhua News Agency or the Financial Times breaking a story – and the potential influence on other media and your stakeholders. You also need to understand the unique pressures and constraints facing media in China – and to be able to read between the lines of certain reporting.

7. Map your key Chinese stakeholders around the core issues you face or are likely to face – and proactively develop relationships with them. It's too late to call many of them if the crisis has already hit! And in China's relatively opaque operating environment it often takes time to work out who to call in the first place.



8. Develop an integrated communications and public affairs plan specifically for China – that is based on substantive research and analysis (as opposed to guess work and outdated assumptions). An integrated plan addresses your core stakeholders through various channels and programs – with clearly defined goals that align with and support a long-term business strategy.

9. Redouble your focus on compliance and corporate ethics. Corruption and ethical issues in general are one of the fastest ways to damage reputation and business prospects – with the government and media focusing more and more on these issues. Focus areas include: involvement in corruption, pricing fraud, labor rights violations, environmental pollution and so on.

10. Get digital. According to Burson-Marsteller’s Second Annual Global Social Media Check-up, Asian companies are quickly catching up to Western MNCs in using social media. In fact, 67 percent of Asian companies use at least one social media platform – a 17 percent increase from the previous year – compared to 89 percent of U.S. and 84 percent of European companies.

Digital strategies need to be woven in to your communication capabilities and be part of your institutional radar system – as opposed to something that is tacked on or only the prerogative of “digital specialists”. Being “too old” is no excuse.

– Douglas Dew, Managing Director and Practice Leader,
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CHINA PERSPECTIVE is a periodic newsletter of Burson-Marsteller China. Our goal is to inform about emerging issues and the significance of China in today’s world. If you are not receiving regular copies of this newsletter and would like to, please email Barbara Wang at Barbara.Wang@bm.com.

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