

Speaker Notes: Winning with the Government & Public in Australia

Presentation to the “Australia
Investment Forum: Investing for
China’s Future”,
Beijing 19 September 2010

Nothing Fancy Here – Just My
Speech Notes – Powerpoint was
not used for this presentation;
instead I ran a video in the
background while I spoke.

Alistair Nicholas

Introduction

- China finding foreign investment challenging
- Little experience of it
- Little knowledge and understanding of West
- Australia in particular – different culture and approach to say US, Canada and UK
- Same challenges faced by West
- Theme: Money won't buy you love

Foreign Investment in China

- Past 30 years
- Microscope
- Commitment
- Philanthropy & CSR

China's global expansion

- China experiencing challenges with global expansion
- Regulatory approval for M&A's
 - Haier-Maytag
 - CNOOC-Unocal
 - Minmetals-Ozminerals (initially)
 - Succeeded because of good advice (Bespoke) and decision to drop Prominent Hill from bid
- Commercial power plays
 - Chinalco bid for Rio and BHP manouvering

"The speed of global expansion has given Chinese companies little practice of the pitiless realities of Western-style acquisitions."

Yao Shujie, Professor of Economics,
Nottingham University, quoted in
People's Daily, 19 June 2009

Heart of the Problem

- Failure to understand cultural and political dynamics of Western nations
- Perception problems around “China Inc.”
 - Chinese businesses, esp. SOE’s, seen as extension of the Govt.
 - Sovereign wealth fund seen as serving political objectives
- Ultimately Australians see themselves as the long-term losers in China investment deals that serve China’s political interests over real commercial interests

Cultural Understanding

- Westerners to China
 - Business cards, Ganbei with Maotai
 - Deeper differences – Mianzi, Guanxi, When yes means no
- Australia is different too
 - Not about beer and shaking hands
 - Rugby and cricket
 - Deeper still – a proud nation, independently minded, steeped in traditions of its early history
 - Fore Fathers did it tough for a better life
 - Aborigines important connection with the land
 - Ultimately all Australians want respect and certainty that national interest is not going to be compromised – not money
- Communications outreach strategy to inform them
 - Public relations, public affairs, community relations, social media

Political Understanding

- A vigorous democracy
- Multiparty system – talk to both sides and sometimes all players
 - Openly, honestly and frequently
- Get help
- Open economy
 - Foreign investment is welcome so long as it meets regulatory requirements and does not threaten national security interests
 - E.g., Coke-Huiyuan bid v's Kraft bid for Vegemite

Media Understanding

- Media has a powerful impact on business on a day-to-day basis
- Free, independent, aggressive, and outspoken
- Always looking for a story and, for them, no news like bad news
- Can't rely on the government to manage media
- Need to build relations and communicate your intentions clearly, openly, proactively, frequently
 - Need to feed them
- Get help to deal with them

Investors

- Business people
- Want to make money
- Maximise value
- But many have long term interest of the company and COUNTRY at heart
- Need to assuage their concerns about your bid
 - Demonstrate that you recognise and have their interests also at heart

Employees

- Keep local management in place
 - Even include Australians on the company's Australian board – it should be predominantly Australian
- Don't try to change the corporate culture
 - At least not too quickly or too aggressively
 - Certainly don't try to overlay a Chinese corporate culture on Australians – it won't work
- Employee engagement
 - In Australia needs to be very sophisticated
 - Intranet, social media, video, newsletters,
 - and most importantly face-to-face communications (hence need to keep local managers in place)

Strategies to Win

- Position your company as different to “China Inc.”
- Demonstrate strong corporate governance standards, code of ethics, and commitment to Australian laws and regulations
- Emphasise long-term commitment to Australia
 - Philanthropy and CSR

Tactics to Use

- Reputation management / executive positioning
 - speaker circuit
- Media relations
- Investor relations
- Public Affairs (remember think tanks and NGO's)
- Government relations and lobbying
- Employee engagement
- Social media

Where to Get Help

- Consultancy firms covering PR, Govt Relations, Public Affairs, social media
- Quality comes at a price
- Wide range to choose from
 - Get specialist firms, rather than one to do everything
 - Get advice (bankers, law firms, other advisors)
 - Check references

Conclusion

- Money won't buy you love
- You need to win hearts and minds
- That's going to take work – a lot of work, over the long term
- Don't try to go it alone – get specialist help
- We can recommend right agencies