Creating a public affairs function in countries without a public affairs culture

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As economies become more international and inter-related, company executives must pursue corporate objectives in environments very different from their own and often in countries that do not have a public affairs culture. Public affairs, as practiced in developed democratic political and economic systems, presumes a political culture that is generally supportive of business participation in the policy-making process. In these countries, public affairs tends to be programmatic and issue-driven, and the rules of the game, which are transparent and predictable, are widely known to all participants. In countries without a public affairs culture, public affairs practitioners face major challenges in how to design and implement a public affairs function that enables them to monitor and manage the external environment that affects the business as well as to respond to internal corporate dynamics. This article offers practical guidance on how to build an effective public affairs function in countries that do not have a public affairs culture. Drawing on their experiences working with international companies in emerging markets, the authors provide a strategic approach to questions that must be asked and to the various tools of Public Affairs that should be deployed to be effective. Copyright © 2011 John Wiley & Sons, Ltd.

INTRODUCTION

In developed democratic political and economic systems, public affairs (PA) (or government affairs) is a function that regularly contributes to business success. Substantial literature describes theories of PA (Cummings and Doh, 2000; Van Schendelen, 2007; Oberman, 2008; Bell and Hindmoor, 2009; Dahan 2009; McGrath et al., 2010). Experts can describe policy-making structures and processes; resources and frameworks explain how the system works. In developed democratic political systems, a PA culture exists: it is a supportive environment that makes it possible for businesses to express their interests and participate in the policy-making process. In these countries, PA tends to be programmatic and issue driven, and the rules of the game, which are generally transparent and predictable, are widely known to all participants.

But today, as economies become more international and inter-related, a more complex field of international PA emerges, and company executives are called on to manage issues across borders in environments very different from their own.

In emerging political and economic environments, especially ones that lack a PA culture, there is less guidance on how PA works (Fleisher, 2002; Thomas and Hrebenar, 2008; Public Affairs Asia, 2009). Although that literature is growing, the work often applies ‘theories’ of PA or describes a particular situation. In these environments, what is PA, and how does one go about creating a PA function? Companies and their PA practitioners face major challenges in how to design and implement a PA function that enables them to monitor and manage the external environment that affects the business. The mere application of principles learned in one country or region elsewhere does not necessarily produce similar outcomes and sometimes can have disastrous consequences.

How does a company navigate the public-policy environment in these countries? This article addresses that ‘how to’ gap in countries where a PA
culture is nascent, used to be very different, or does not exist. The approach considers how to assess what relationships matter, who or what are credible interlocutors, and what approaches are most likely to produce the results that support the company’s business prospects as well as the unique, continuing level of effort that will be required.

PUBLIC AFFAIRS MATTERS IN EMERGING ECONOMIES

More companies are doing business in more countries. United Nations Conference on Trade and Development, 2010 (pp. 1, 7–9) explains why.

Firstly, the relative weight of developing and transition economies as both destinations and sources of global FDI is expected to keep increasing. These economies, which absorbed almost half of FDI inflows in 2009, are leading the FDI recovery. Secondly, the recent further decline in manufacturing FDI, relative to that in the services and primary sectors, is unlikely to be reversed. Thirdly, in spite of its serious impact on FDI, the [economic] crisis has not halted the growing internationalization of production.

Half of the six top destinations for FDI flows are now developing or transition economies. Over two thirds of cross-border M&A transactions still involve developed countries, but the share of developing and transition economies as hosts to those transactions has risen from 26 per cent in 2007 to 31 per cent in 2009. In addition, this grouping attracted more than 50 per cent of greenfield projects in 2009.

Companies compete to sell into, provide services in, and integrate into production or supply chains, goods, or services sourced from many countries. The complexity of activities and diversity of actors, by definition, give rise to different policy, legal, and regulatory interests that must be managed to reduce risk and create business opportunities. Multinational corporations operate in diverse environments, and are linked through shared values, strategies, and policies. At the same time, they confront unique market conditions as well as extraterritorial legal mandates. Insufficient consideration of the interests of the host government, local authorities, business community, trade unions, religious communities, or indigenous communities may undermine business development strategies, cause financial losses, loss of image, or other negative consequences. This is the world of PA.

We begin with a discussion of the environment in which PA is conducted and then focus on what a business needs to address in building an effective PA function.

THE CONTEXT OF PUBLIC AFFAIRS IN AN EMERGING ECONOMY

The PA practitioner in a country without an established PA culture often encounters challenges of understanding, explaining, and affecting the legal, regulatory, and policy-influencing processes as well as of overcoming suspicion or lack of knowledge in order to engage others both inside the company and in the host country where shared objectives exist. Although the components that define PA may be the same in most countries, how they impact policies may be quite different. The PA professional in an emerging economy must begin with an understanding of the broader legal, economic, and cultural environment in which government decisions are made as well as the evolution of the system.

Politics and economics—then and now

How systems function, informed by their historical experience, define potential PA strategies. Political and economic systems will always differ in theory and in practice. What is written in a country’s constitution will differ from the political dynamics of governing. Although this is true for all political systems, the guidelines for how things work in practice may be more challenging to understand in an emerging economy. For example, it is helpful to know whether a country has had any experience with democratic processes and for how long. There are unwritten rules of behavior, for example, that relate to the peaceful transfer of power, which are generally known in countries with a long history of democracy. Mexico is a functioning democracy, but not so long ago, it was effectively ruled by one party. Lobbying and firms with experience in lobbying are fairly new. A PA culture is evolving even as firms are attempting to interact with the public policy process.

It is not enough to observe the formal political structures of government. For example, it is not enough to know that a communist party is in power: Cambodia is a constitutional monarchy with the communist party as the majority party in the government, whereas Vietnam is a communist government. What is the real role of the communist party in each? Other questions may be: Does political power stem from a party or an individual? Can an official be re-elected and, if not, is a successor pre-ordained in practice if not in law? Does power usually shift among a small circle or even within a family (e.g., India, where the Congress Party has been dominated by Jawaharlal Nehru and his descendents)? Has political power historically alternated between parties, much like in Colombia for many years? Is the legislature a co-equal branch of government or a rubber stamp for the executive? Are legislatures elected by proportional voting and positions filled from party lists or are individuals elected by and
accountable to a district? Is the judiciary independent, is a judicial career the culmination of a successful legal career or a job for those who could not find employment as an attorney, and what ex parte contacts are permissible? What is the balance of authority and resources between national and sub-national entities? In China, understanding provincial politics and resources can be equally important to understanding national government policies.

Countries may be more or less responsive to external messages. A country that seeks a broader international profile may be more receptive to other government’s opinions, whereas a country that is ‘self-isolating’ will be much less likely to respond. The status of diplomatic relations between countries will factor into the receptiveness to your specific business advocacy efforts. Will a group letter from US congressmen have influence, or will defiance of such a request be a badge of honor for domestic political objectives? Is a stronger point of leverage a business association of a country with longstanding trade relations?

In many regions of the world, countries have moved from a centrally controlled economy to a more market-based economy. That evolution has been uneven. It has demanded significant resources to establish new regulatory agencies and policies and to train people to administer them. Despite formal structural changes, major industries in many fast-growing and emerging economies remain dominated by the same handful of often family-controlled interests. New market entrants may depend on their influence or support as a partner and may have to offer new technology or services to enhance their economic prospects.

Legal system and structure—how much does it matter

In countries with established political and economic structures, the scope of PA will reflect the legal and regulatory systems that create the backdrop for permissible or prohibited actions as well as any consequences for operating outside those systems. Changes may occur, but those are often debated and anticipated. In countries without such cultures, the first PA question may be whether legal and regulatory regimes define actions and if so, to what extent. If the response is ‘not much’, then the challenge is to identify what alternative structure prevails and what are the rules of engagement. For example, Colin Xu (2010, p. 17) explains

Courts are only worthy when transactions and contracts become more complicated and the demand for arm’s-length enforcement becomes sufficiently high. Consistent with this theory ... how entrepreneurs in transitional countries overcome imperfection in the legal systems. In Vietnam, more than 90 percent of firm managers responded that they did not rely on courts for conflict resolution. Instead, they rely on ongoing relationships and the threat of losing future business. They often emphasize the continuation of existing relationships and punish less severely than expected when one party breaches a contract. Without an effective court system, China substitutes family control of businesses to avoid relying on the court system. … When stakes are high, however, firms still rely more on formal contracts or advance payments, along with community sanctions.

From a developed country perspective, what is or is not allowed often is viewed in the context of ‘rule of law’. That context assumes, first, that rule of law is the appropriate starting point in an emerging or rapidly evolving culture and, second, that some form of consensus exists on what rule of law implies for doing business. It also assumes that the structures and processes for the administration of justice are fair and apply equally in practice to national and foreign businesses.

But this is not always the case in an emerging economy, which may have what is generously described as ‘weak rule of law’ systems. Although there are laws, they may not be applied equally; process may be at the discretion of corruptible judges; and the administration of justice may be bureaucratic and politicized. Rule of law for the former state-owned enterprise or its regulator, the monopolist, or the oligopolist may mean something quite different than for the company attempting to enter a new market or the start-up in a country where established business conglomerates dominate.

Often linked to rule of law is the concept of ‘transparency’. Few companies entering a new market or launching an innovative concept in a market would argue that transparency is not a positive attribute of policymaking, preferring instead opaqueness and backroom deals. Those established in the country may not agree. In a developed economy, transparency may be epitomized by lobbying regulation of those who attempt to influence public policy, which generally derives from concerns over undue access and influence. Some emerging economies lack a history of independent political and economic systems or regulatory systems based on principles of competition. In a previously centrally administered economy, a domestic business interest probably has not felt disadvantaged by any competitor’s access.

The legal context also will include national laws that have an extraterritorial reach and regulate interactions with government officials in other countries, regardless of what reportedly may be common practices in those countries. Most common are tax laws and those that define certain ‘corrupt practices’. National laws and international agreements also define improper means of exercising influence, for example, US Foreign Corrupt Practices Act, UK Bribery Act 2010, and OECD Anti-Bribery Convention.
Policy-making processes—access and leverage

Policy can be made through formal, public processes or executive decrees, or individual actions. Diermeier and Vlaicu (2010) observe that, in general, an executive branch is more likely to set a legislative agenda in a parliamentary system as the ‘leader’ of the dominant party or a vested coalition than in a presidential system, especially when a cohesive opposition exists. In countries with established PA cultures, accountability of policymakers and implementers should be a fundamental assumption of advocacy. Process differences among policy cultures define opportunities for leveraging regulatory processes. The US and EU rules surrounding the formal policymaking processes exemplify such differences. In the EU, the Commission has sole right of initiative; no absolute limits or deadlines apply to the policymaking process (although deadlines exist for stages within the process), and once the Commission begins the process, it almost always leads to a policy outcome. In the USA, any Member of Congress may propose an initiative. A tabled proposal can be killed at the sub-committee, committee, floor, or veto stage, or by inaction. These differences lead to different assumptions of policy changes. Because policy change is nearly inevitable once the process begins in the EU, advocates are most effective if they can work in advance of a formal proposal. In the USA, it is possible to kill entire proposals at various stages (Mahoney, 2008).

In emerging economies, the access and leverage points to influence policy may be less clear. In less-democratic systems, the process may be controlled by a ruling party or even an individual. In those countries, multinational corporations often spend less time on influencing laws—because access to the process is tightly controlled—and more time on standard setting and the regulatory process. Traditionally, highly regulated sectors, such as telecommunications, insurance, or banking, in emerging economies are more likely to be affected because of the pervasiveness of regulation. Regulation covers not only market entry but also business operations, pricing, and consumer obligations. Moreover, a less comprehensive or accountable regulatory system in general will allow greater opportunities for the exercise of individual discretion that has significant business impacts. For example, a port of entry might impose enhanced inspections of perishable products at peak holiday seasons to prevent timely customs clearance.

Culture—the context of underlying values

International PA must always attempt to reconcile cultural differences. Tension also exists in striking the balance between the local culture and the corporate culture. This tension may be presented as follows: (i) only a PA practitioner who understands the local culture can develop strategies and produce desired outcomes and (ii) the multinational corporation linked through shared values, strategies, and policies will define overseas advocacy tools.

The balance is more difficult when the PA practitioner has no history to rely upon to demonstrate the relevance of a different or novel PA approach. For example, a company created in a competitive market that prizes individualism may not easily accommodate its style in a country in which compromise is the norm. Will an overt approach produce the desired outcomes? In the USA, a letter to members of congress is an accepted advocacy tactic. In other countries, would a written letter imply a level of confrontation and preclude other approaches or further discussions pending a written response? On the other hand, could a decision not to pursue a public letter be interpreted to be a way to obtain a back-door favor?

Cultural differences may exist within a business community or among industries. Old-line (or perhaps former state-controlled) industries may contrast sharply with that of new, entrepreneurial sectors (e.g., agricultural cooperatives versus information technology services). These differences may be most apparent when an economy is ‘emerging’ and a sector is attempting to avoid or escape government regulation or control that historically defined the private sector.

Public affairs practitioners will not have all the answers, but they must be aware of the relevant questions. They must know that historical experience informs current practice, including the meaning of words and expectations of behavior. Of particular importance is an understanding of the role of business, public expectations of business, and the relationship between business and government.

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1In some countries, the executive may have constitutional decree powers that allow greater direct policymaking because of either a legal mandate that makes overriding such decrees difficult or a multiparty legislature or the fragmented opposition cannot successfully override the decrees. If decree authority is broad, the executive can set, or perhaps pre-empt, a legislative policymaking process. For example, Brazil’s 1998 Constitution allowed presidential decrees issued with the force of law in situations of ‘urgency and relevance’ that expired after 30 days but could be renewed indefinitely unless Congress specifically rejected it. Presidential decrees could have significant reach, especially in areas of less legislative priority. Constitutional Amendment No. 32 in 2001 excluded some topics, made 60-day decrees renewable only once, and required Congress to vote on the decree after 45 days or precluded normal business until it did so. While addressing one shortcoming, a president theoretically could divert the Congress from other legislative priorities with numerous decrees requiring approval or rejection. Other countries authorize similar delegations of authority (e.g., Chilean Constitution, Article 64, provides that if the Congress fails to pass the Budgetary Law Bill submitted by the President, which must be submitted to the Congress at least three months prior to the date on which it should become effective, within 60 days from the date of its submittal, the President’s proposal enters into force. See also Pereira et al., 2006.)

2It may also trigger other legal requirements, for example, Mexico Constitution, Article 8, written request to a government official must be given a written reply.
These factors will define and possibly constrain what a company can do in the public policy field.

TOOLS OF THE PUBLIC AFFAIRS TRADE

Individuals and relationships

A PA mantra is ‘relationships matter’. Much public policy change comes through the influence of engaged individuals or groups of individuals. Whether that approach is effective may depend on whether individuals are motivated to leverage relationships for the broader public benefit, the government’s objectives, a partisan position, or their own personal benefits. Political connections can have a pervasive impact even within the confines of a strong legal system. Goldman et al. (2006, p. 4) looked at the USA and found that

First, a company’s value goes up in anticipation of future benefits following the nomination of politically connected individuals. Second, when the director’s political party gains control of the presidency, the value generated by her increases while the value generated by a director connected to the opposing party decreases.

Of course, such impact does not necessarily equate to the exercise of improper influence.

In countries with a weak legal system, a highly discretionary regulatory process, and/or opportunities for corruption, political connections can matter greatly. The rise (and fall and recovery) of Russian oligarchs illustrates the ability of individuals to benefit from and to benefit a government. During the era of Boris Yeltsin and the collapse of the Soviet-planned economy, a new group of oligarchs became owners of some of Russia’s biggest raw materials and oil companies. Some used their new power and wealth to influence the system to further accommodate their interests. When Putin came to power, he reined back some prominent oligarchs by portraying them as acting in their own interests and with less than transparency (White, 2010)3.

In some countries, politics and business legally and openly co-exist. In China, being a legislator may be a part-time activity (Tian and Fan, 2008). In Mexico, an elected representative can represent clients before legislative committees on which the person sits. In some countries, litigants can discuss their cases with judges outside of the courtroom or formal legal proceedings. Often, longstanding, prominent and powerful family or business relationships exist. Members of a single family may be leaders in business and in government. The web of their relations has influence that spans any single person’s ‘job description’.

Trade and business associations and coalition building—who else can help?

Business or trade associations have various policy profiles. They may be active, informed participants in the policy-making process. As an advocate, associations can represent common industry policy positions, speak for the shared interests of member companies, and deflect attention from individual companies for positions they may support. Associations may be the accepted, and most common, policy interlocutors of business communities. 4

Associations also may camouflage the interests of a domestic monopolist, be the alter ego of a powerful local interest, or attempt to legitimize relationships that might otherwise receive critical scrutiny. Associations may be an accommodation to public perceptions that a government is overly responsive to a particular business interest. They may be more or less independent of government influence. Historically, for example, business associations in China have had some government-sponsored or relationship.

Associations may be domestic or international. An international association may be negatively characterized as representing foreign interests or positively as reflecting international perspectives. National organizations may be more closely tied to local decision makers and business leaders or unreceptive to policies or efforts that may threaten their domestic markets.

Associations that are marginal in direct policy development may serve other business-related purposes. As a social forum, an association (much like a private club) may provide the entrée to those that influence government and make policy.

Coalition building may depend on the existence of organized interest groups or a history of freedom of expression. Ad hoc, issue-specific, coalition building is common in many developed economies. Such coalitions can be a powerful statement as well as provide policy-makers with political cover for decisions made in adversarial environments. Ad hoc coalitions in sectors that traditionally have not worked together may evolve

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3There is only a thin line which separates the bureaucracy and private assets in Russia. The ubiquitous firms, christened state corporations, handle public assets as their own, amass profits and do not disclose information to the public. Sergei Chemezov, a friend and former colleague of Putin in the KGB, for instance, is the man-in-charge of Russian Technologies, the holding company for 500 companies owned by the state’ (White 2010???, p. 8.).

4The structure of the Canada, US, and Mexico Executive Committees (EC) of the North American Competitiveness Council is illustrative. Canada’s EC was a group announced by the Prime Minister of 10 major Canadian companies. The US EC was established through a process of nomination and review, and membership changed from year to year. The EC was also informed by an Advisory Committee of over 100 companies and associations that participated in the development and vetting of policy recommendations. Mexico’s EC was composed of trade associations. The trade association representative often was a prominent business person, not the association leadership or staff.

along with a more open and responsive policy and regulatory structure. For example, 20 years ago in Mexico, ad hoc coalitions did not influence or affect policy positions. More recently, privacy issues have brought together divergent groups in the debate over which model could best respond to Mexico’s objectives.

**Corporate headquarters and policies**

Multinational corporations have legitimate, corporate-wide reputation and brand interests that must be protected in every market in which they do business. Coherence in PA (and other communications) must be developed. For example, a company that is ‘outsourcing’ jobs may be criticized in the country that is losing the jobs but praised in the country receiving them. Multinational companies’ actions may be subjected to greater scrutiny in a new market because they are multinational or may reverberate internationally for reasons unrelated to that market. For example, nongovernmental organizations (NGOs) monitoring multinational’s labor practices in one region are likely to follow the multinational as it enters a different region. Those corporate considerations shape the permissible activities and advocacy positions in a new market, regardless of what any other company might do.

The PA professional of any international company at some point will benefit from the additional resources and talents from its corporate headquarters. PA professionals in the headquarters country will have contacts that can supplement in-country efforts. For example, a market-access issue for a company may also be a broader bilateral (or multilateral) policy concern. PA outreach in the headquarters country can engage relevant officials to raise the issue through interactions with their foreign counterparts or in the headquarters country (usually an embassy or with visiting foreign government officials). Forums and activities such as inter-parliamentary meetings or sponsored judicial training can provide platforms for others to highlight a company’s general or specific issues. Corporate leadership who regularly travel to other countries can incorporate messages or meet with foreign officials on an issue. For particularly critical issues, senior management outreach can deliver a focused, high-level message on in-country issues or activities. The local business, the PA professional with the best contacts, and a culture that generally works through domestic associations rarely will be sufficient to effectively advance the best policies for a particular company. Even if they were, few corporate headquarters would take a total hands-off approach to local PA. Yet, interventions must be assessed and coordinated to not overestimate or underestimate the appropriate level of attention for an issue.

**Third-party validators**

‘Independent’ entities may influence policy formulation. Respected think tanks and academic research institutes proliferate in many developed economies. Some ‘think tanks’ may be the policy arm of a specific interest group. NGOs often have stated policy objectives. Biases such organizations bring to the discussion are well-known, and they can be tapped to obtain a supportive perspective on an issue. In emerging economies, think tanks may develop (because political power now shifts between elections), or finances may reorient organizations (EurActiv, 2010). In any event, these organizations often are sources of local views and potential reactions.

Academia and academics may be powerful spokespersons. In contrast to the USA, where a university dean may speak without attracting much attention, in other countries the opinions of such persons or from such positions garner headlines. Journalists often understand what groups within a country are thinking and grasp popular ‘currents’ more quickly than quarterly or annual data or academic studies. Yet, the same qualities that make them a valuable resource also mean that the corporation will be a resource for their work.

Third-party validators can help frame a discussion, but PA professionals often must translate their white papers or other academic study into meaningful business-related policy statements. Otherwise, academic theories or jargon can marginalize policy issues from business solutions. Today, ‘competitiveness’ is a goal for many economies. For the economist, competitiveness may mean foreign exchange differences. In academic economic terms, ‘increased productivity’ derives from better tax structures, education systems, labor markets, and social security laws. Thus, in much of the government and business ‘competitiveness’ policy discussions today is the economic concept of increased productivity. Public affairs must turn economist-speak into focused business and policy positions, without compromising the value added by the independence of the third-party validator.

**Media and emerging social media**

Many countries allow unfettered media and journalistic activities, whereas others impose controls and restraints. Even when the media and press are free, they may not be credible or responsible. They may be outlets for particular political views. Certain media may reach certain populations (e.g., radio versus print).

Electronic and social media increasingly have affected policy and politics. Recent events in the Middle East demonstrate the potential power. The proliferation of media options offers a variety of distribution vehicles for a company’s message;
advertising or press releases may still be means to communicate, but so are blogs and webinars.

In countries with open and robust communications options, new social media become another tool to share information and generate dialog or action. It may be the communications means of choice for a particular sector or demographic. An Edelman Public Affairs Asia survey (Davis, 2009) found that 66% of professionals said social media is ‘the most influential communications medium in modern China’, whereas an additional 60% said the Chinese Government would respond to suggestions and policy positions posted on social media sites. In countries that lack openness of communication, or that lack communications infrastructure, international or inexpensive social media may be an important means to gauge or influence policy, to directly communicate with a target audience, or to generate dialog on an issue or action. On the other hand, growing new media also may more easily and quickly thrust a company into a public light or perpetuate claims once started.

Grassroots organizations and organizing

Community-driven or citizen-driven activism movements have always been an advocacy tool. An event led by ‘ordinary citizens’ with personal stories to explain why they are demanding change or protesting an action can be compelling. Grassroots advocacy, that is, organized citizen lobbying, is a vehicle for injecting local voices into the legislative process. By calling on their employees or members, companies and labor unions, trade associations, and NGOs can use grassroots campaigns to amplify their message. This PA tool is highly developed in the USA, but less formalized variations are found in other developed economies. The effective use of organized grassroots programs presupposes the existence of certain conditions: a legislative body whose members are connected to their constituents, depend on their votes, and, therefore, will listen to their interests; interest groups that organized their members to be active in the political process; and a civic culture that supports citizen activism.

In an emerging economy, these conditions either do not exist or take different forms so that grassroots programs are often not practicable. In some countries, legislators do not have residency requirements, so their connection to a constituency is tenuous. Or their terms of office are short, making it difficult to develop relationships with them. Or citizens are not used to being directly involved in the political process other than elections, and even that may be a new experience. It is only a matter of time, however, that grassroots programs will be adapted for use in emerging economies. A message sent to government by ordinary citizens, whether spontaneous or legitimately organized by special interests, is a powerful PA tool.

ACHIEVING EFFECTIVE INFLUENCE IN AN EMERGING ECONOMY

Whereas the ultimate goals of PA are common, the activities and tools to achieve them often are not. In many emerging economies, the role of PA and the profile of the PA function are emerging. No single formula promises success. In an emerging economy, PA initially may need to explain itself and prove its relevance in an environment that is unfamiliar, ambiguous, evolving, or otherwise uncertain. In such a culture, advocacy may be viewed with suspicion or merely misunderstood. At the same time, ‘headquarters’ of an international company may quickly tire of hearing ‘that is not how it is done here in …’. In such an environment, success will depend on the ability to analyze the company’s needs, assess the environment in which the company operates, and take the actions that achieve the desired outcomes. Moreover, as all parts of an emerging economy by definition are evolving, the context for each iteration of a PA task may change.

The authors suggest an approach to strategically engage in the PA function in an emerging economy or one without a PA culture. The baseline is what is theoretically possible—legal and local business constraints. Within a political and regulatory structure, it considers the local business, the resources of the international corporation, and the relevant domestic and international policy community. The ‘how to’ often requires a more far-reaching, nurturing, and continuing PA effort in that environment.

What the public affairs practitioner brings to the job

The PA practitioner brings a holistic approach to the market. Unlike any other function, for example, finance or legal, PA looks at the company’s environment from the inside out and the outside in: what are the business objectives, and how can they be met; what is the external environment, and what are the conditions that will or will not make business opportunities possible. Who are the stakeholders who can affect success, and what can the company do to affect their behavior positively toward us?

Careful consideration needs to be given to who is the right person for this job. Some PA professionals have global responsibilities. ‘Regional’ approaches, which are a logical, incremental approach to introducing PA in emerging economies, may suffer from over simplification. Even when language may be the same or culture may be similar, regional approaches may gloss over critical differences in the formal and informal structures of seemingly similar countries.

An expatriate familiar with the company and PA may be relocated to undertake the PA function. That
expatriate may not understand the local business, be well versed in the business or cultural nuances of the new market, or have relationships that can be the springboard to effectiveness. On the other hand, a PA professional hired because of nationality in a country without a culture of PA will face other challenges. Initially, the pool of potential candidates may be slim. A company may look for individuals with related experience—perhaps coming from government—and expect that person to learn the international company’s culture and/or corporate PA. The prior position may affect the ability to interact at the levels required to be successful in the PA position, especially in more socially hierarchical countries. For example, can a mid-level technical government official now meet with the highest levels of the government and speak for the company? Would a formerly very senior government official be able to effectively and routinely interact with technical staff of an agency? Such individuals actually may be hamstrung by their ‘local ties’.

A cadre of ‘old hands’ in PA is unlikely to exist in emerging markets. Moreover, experiences of old hands may quickly become less relevant as the economy continues to ‘emerge’.

Another option is to retain a local PA consultancy, if they exist. In some instances, the business may never justify a full-time PA professional, and an ongoing outside relationship can provide critical depth and support. In other instances, it may be transition to allow the company to grow into the PA function, but that may create its own challenges. Challenges include who selects and manages the consultant, how much information should a company give an outside consultant, and how does the company establish its own institutional relationships required for an effective PA function.

Building internal (company) support: know the company’s business

A successful PA approach to a market begins with the PA practitioner understanding the business and the business’s priorities. The external environment must be viewed through the prism of the company. Those priorities will be the measures for business success and thus benchmarks for PA’s value. Only when PA goals align with the business’s success will PA establish internal support and credibility. The business will find value in supporting PA efforts if PA contributes with its unique expertise, resources, and relationships.

Especially in countries without a PA culture, answers to questions from the PA professional to the business units to understand what they do and how they work may be greeted with responses such as ‘I don’t have time for this’, ‘why do you want to know what I do’, or ‘so what is it you do?’ In highly regulated markets, business units might see PA as an interloper in longstanding, personal relationships perceived as sources for business or the smooth operation of existing business. Business units may see PA as a potential restraint or check on how they operate. Even if corporate headquarters recognizes the value of PA (and may be the reason the PA professional now is working in this emerging market), the local business needs to understand the possible contributions of PA to its bottomline.

The PA function also must be a proactive effort that creates business opportunities or prevents future market access limits. These activities often independently work on a parallel track to more immediate issues. They may involve often lengthy processes in international forums that affect domestic markets globally, such as the World Trade Organization, World Customs Organization, or Financial Action Task Force. Policy decisions can impose future market access limits before a business has even identified potential business opportunities. For example, a business focused on private-sector sales may not value openness in government procurement processes. But changes in a headquarters’ policy or a government’s policy can create a new government market potential. If PA has not proactively prevented market restrictions, the business opportunity ends or is handicapped before it begins.

Business relevance must frame policy activities

A strong public and government affairs function integrated with the business is critical for a company to succeed and ensure a competitive position in an emerging economy. The company not only needs to understand its issues but also needs to understand the audiences. A major difference between a developed and emerging market often is ambiguity in decision making, either in the process itself or the decision makers and decision influencers. In that environment, the PA professional must map decision-making processes and key stakeholders with greater breadth and depth to encompass a broader, and sometimes more nuanced, range of possible decision influencers and decision makers.

Public affairs must understand who influences the policies that matter to the company’s business. The traditional actors may influence the relevant business environment. More common in an emerging economy may be an individual or small group that wields inordinate influence in an industrial or policy sector. Officials of one branch of government may have influence that extends beyond formal organization charts. Although it may be successful one time to rely on a ‘champion’ to resolve an issue, the influence of any individual is likely to be diluted as an economy evolves and internationalizes, so continually returning to the same person is unlikely to be a long-term strategy for success.

The PA professional also must understand what matters to the relevant policymakers and influencers.
Regardless of whether control flows as described in an organization chart or is exercised by a person or small group within that system, the PA professional needs to understand how to translate the business’s objectives in terms relevant to the interests of those people or institutions that matter to the business. And as economies grow, interests evolve. Haiti, a country with high unemployment, is motivated to create jobs and increase social stability. For Brazil’s policymakers, the increasingly robust economy highly values opportunities in innovative industries as a source of job growth.

Understanding the complexities and nuances of policymaking

By definition, the concept of PA in an ‘emerging economy’ implies the absence of regulation or the evolution of policy or regulation. Much of the literature assumes that a country will conclude that transparency in the policy-making process is a positive goal. To the extent that transparency enhances confidence and predictability in policymaking, companies from regulated environments will have higher comfort levels. At the same time, increased transparency may generate uncertainty in companies used to doing business in a less public environment.

Public affairs professionals must understand a country’s formal and informal structures. In a culture unaccustomed to PA, the first PA outreach will be very visible even if routine. An initial misstep can make a lasting impression.

Understanding formal and informal processes and influences on relevant policymaking in an emerging economy may start from scratch and will involve much independent work. It often is complicated by the initial challenge of identifying trustworthy and credible sources of information about who and what matters in that process.

Information on formal processes is always available, but may bear little relationship to actual practices. Resources range from a country’s diplomatic representation to government websites to private ‘business councils’ that exist to foster trade and commerce with other large economies—for example, the US–India Business Council or US–China Business Council (Judd, 2009). A company could commission a market analysis by a university or an international consultancy, if an appropriate one exists. Such studies may be novel in emerging economies, require significant time and expense, and likewise encounter challenges of identifying decision makers in less opaque processes.

In-country, the business will be an information source. However, if the role and policies of the government are changing, the business likely will be experiencing the same uncertainty and transitions.

Professional associations and their members may be a resource but may not welcome new members with the ‘inside scoop’. An association may be seeking to attract non-national companies or may resist their presence. An influential association may benefit a company but not be seeking new members. If resistance is anticipated, appropriate introductions may be needed to develop the relationships with other members. Or, an association may be motivated if a company brings a common problem with a proposed solution (and resources) to the association.

Non-traditional sources may supplement other resources. For example, internships for university students from the emerging economy studying abroad may be a source of information about what is changing in the political environment as well as on-the-ground sentiments. Social media may be the preferred communication means for segments of the population that are of interest to a company.

Informal processes are equally important and often more difficult to identify in emerging economies. Informal processes and resources require critical evaluation of the perspectives and motivations of every source. Resources that may not themselves be reliable may give clues to what works or does not work. Promising leads will turn into dead-ends, and unlikely paths cannot be automatically discarded. Missteps are to be expected.

Even without missteps, the process is likely to be time-consuming.

The messenger matters as much as the message

A company’s reputation in a community, a country, or globally—and today these are often intertwined—is a critical factor in its ability to achieve corporate objectives. A good reputation will not prevent a crisis but often can make the difference in a company’s ability to respond to and recover from a crisis. And yet, many companies like to remain ‘under the radar’ of the government, the media, politicians, and other public-policy decision makers. This may be a deliberate corporate decision or it may be because in a politically charged environment, business risks accompany being singled out. The low-profile approach works fine, until a problem arises, and assistance beyond the company’s internal resources is needed or a competitor or critic benefits by bringing it to light. The legal or judicial system may not be an appropriate, timely, or effective recourse, especially in an emerging economy.

Having a ‘license to operate’ is as essential in an emerging economy as in a developing one. What differ are the activities and programs that companies use to build their reputation. In emerging economies, business—and in particular new foreign businesses—may be viewed with suspicion. Corporate social responsibility programs, when tied to corporate strategy, can build the company’s relationship with the community and develop trust. Developing relationships with individuals and institutions to whom policymakers turn for guidance is also important. There is no substitute for the PA professional to research who
these people are, build a list, and develop a strategy for getting to know them personally.

The company can retain an outside consultant who is trustworthy, respected, and knowledgeable to introduce the policy-making environment and the PA professional into it. An ideal consultant brings experiences from many sectors and regularly interacts in the spheres relevant to a company’s business. It may not be the largest or best known company but one effective in the relevant business sector. However, in emerging economies, independent consulting firms may not exist, or their expertise likewise is just developing. If a country historically has had centralized decision making, the independent consulting company was not necessary. Assuming that an independent consultancy (or consultant) can be identified, reliance on that company or person to some extent implies alliance with its reputation, history, biases, and strengths and limitations. Highly regarded individuals or companies are likely to be in demand, may advise many companies, and will continue to seek new clients. Clear definition of scope, expectations, and responsibilities is essential to protect the company brand and avoid the need to enforce contract terms in the local legal system.

Professional associations may be the primary interface with policymakers, but PA professionals cannot be the only participant from the company in these organizations if participation is to be meaningful. A balance in associations that ‘speak’ for its members reduces risk that a company may be limited or negatively branded by a relationship with a particular association. A balance allows a company to be seen as either domestic or international. When options exist, an association with the relationship with relevant policymakers may be more important than a more well-known association. In countries where the norm is associations as policy interlocutors, an organization used to one role could be nurtured and supported to fill a vacuum and take on new roles. If leadership opportunities are not available, participation in the association may be less effective and could be counterproductive (e.g., if membership implies consent to an association’s actions or positions). Who decides policy for the association and appoints leadership may be opaque.

Event sponsorship publicly aligns the company with causes or activities. The PA professional is likely to receive numerous sponsorship requests that are broader than the PA function or a company’s immediate business objectives, often that may be particularly relevant to one part of the business (or a business leader). The PA professional must understand the organizations or events and identify likely outcomes and implications. In a political system with few external controls on contributions, a company may be asked to support an event that is associated with a particular individual (or individual’s family) or political cause. Although perhaps attractive in the short term, linkage may provide fodder for business competitors or influential opponents of that cause or individual. If a sponsorship choice, for example, impliedly bets on who will be the next political leader and that choice is wrong, the company (and PA function) will live with that decision for years to come. In addition to domestic repercussions, the multinational brand may experience fallout from activities in other countries.

The multinational organization also may have unique resources attractive to individuals or organizations in an emerging economy, especially in countries where public or local resources are more limited. Corporate resources are assets to be deployed locally and strategically to integrate PA and other strategies to frame a policy discussion, educate potential allies, and reach a target audience. For example, a company may have capacity-building programs that offer training, exchanges, or support that are legitimate, transparent, and mutually beneficial.

Creating stakeholders and developing relationships

Emerging economies may more likely to be characterized by a cult of personalities. Individuals may wield power or authority, rather than institutions. As institutions strengthen, relationships can institutionalize. The position a person holds, rather than the person who holds a position, becomes the norm. The PA professional seeks to position the company as the ‘trusted advisor’ to relevant policymakers and influencers over the long term. Relationships with a relevant agency must withstand regular changes in government administration. As emerging economies develop a professional civil (career professional) cadre of government employees, relationships that transfer from one administration to the next must form.

The PA professional alone cannot be the company’s representative to all entities relevant to PA or situations. PA must anticipate and effectively prepare the business and its leadership to participate in PA dialogs. In countries without a culture of PA, specialized media or government affairs training is less common and historically has been less necessary. In the absence of such training, the PA professional often must undertake the responsibility to at least sensitize company leadership to PA opportunities, approaches, and messages.

The PA professional who is using outside consultants must continuously assess the appropriate functions for outside consultants, including how that impacts the ability of the business to develop its own stakeholder relationships. Rarely can a company enter a new market without in-country support, and it would not want to be dependent on ad hoc outside contracts to react to PA issues. The value of outside consultants after market entry will depend on a variety of factors, such as the particular expertise.
of consultants, unique knowledge for the business sector (e.g., more highly regulated industries), the competitive environment, or the internal bandwidth to manage all PA issues (e.g., PA issues often expand as the business understands PA value). The PA professional must work with the outside consultant to benefit. As the PA professional grows in his or her function and complexity of projects increases, outside consultants can be strategically deployed to leverage their unique contributions on particular issues.

CONCLUSION—EFFECTIVE ENGAGEMENT OF THE SYSTEM

No one should underestimate the challenge of developing an effective PA function in an emerging economy. Although that effort always must be both internal and external, it also may be ‘developmental’. Acceptance of the PA role will take time, so neither the PA professional nor the company can expect immediate impacts or resolution of every business obstacle that somehow has a tie to a government policy or action. Internal education and outreach about the business and the business’s objectives will be an ongoing activity. The PA professional must create and legitimize the PA value:

• Clearly identify what is a PA function and to whom it reports as where the function is housed can enhance or restrict authority and scope of action.
• Know the business to identify strategies to facilitate or support current business efforts and to create reasonable expectations of what PA can and cannot accomplish.

The PA professional must invest the business in PA efforts:

• by providing realistic assessments of and approaches to handle issues, identify possible results, establish time frames, and anticipate costs,
• by having laid the groundwork to deliver on reasonable requests the business may make,
• by using a seat at the strategy table to define ways that present opportunities for success and not only to receive assignments to untangle or resolve business efforts that have hit obstacles, and
• by having a range of resources to produce results when the business needs access to decision makers or influencers or otherwise obtain a policy-driven solution.

An emerging economy is more likely to offer the challenge of creating external PA infrastructure to gain recognition or enhance the effectiveness of the PA function. As a government changes, political and economic goals change, and legal and regulatory systems change, and policy-making environment and processes change. PA resources exist, albeit probably not in a form that is readily transferable without creative thinking and deliberative analysis. Without a historic reference of what works better, the PA professional will be constantly charting a new course or adjusting a recent course. That vacuum creates an opportunity that, at least in the beginning, will require the PA professional to learn, understand, and analyze what has worked in that country and elsewhere, to develop a cadre of like-minded professionals, and to undertake the legwork to create the PA infrastructure that allows current and new business opportunities to be realized.

BIOGRAPHICAL NOTES

Dr. Fruzsina M. Harsanyi is a consultant on public affairs, a member of the Adjunct Faculty of Georgetown University, and a senior advisor to the Public Affairs Council in Washington, D.C. Her consulting practice focuses on the strategic role of public affairs in business, on international public affairs, and on public affairs as a leadership function. She has 30 years experience managing the public affairs function for several US and non-US multinational corporations, including Tyco International Ltd. (Vice President, Global Public Affairs) and ABB Inc. (Sr. Vice President, Public Affairs and Corporate Communications). She has been on the faculty of the Corporate Public Affairs Institute in Melbourne, Australia for 15 years where she delivered the annual oration in 2010.


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