



BY TIFFANY YAJIMA

Bridging Communication Channels

APCO founder and CEO Margery Kraus discusses global business diplomacy and China strategies.



On May 14, as part of the ongoing Shanghai 2010 World Expo CEO Speakers Series, AmCham Shanghai hosted Margery Kraus, founder and CEO of APCO Worldwide, who shared her personal experiences building APCO into a leading American public affairs and strategic communications firm.

Founded in 1984, APCO today employs over 500 people across 29 offices in more than 20 countries around the world. With China operations established as far back as 1997, China is a market APCO takes seriously. APCO recently appointed managing director of its Shanghai office, Murray King, as managing director of Greater China and is now celebrating the launch of its Global Political Strategies (GPS) service chaired by former U.S. Secretary of Commerce Carlos Gutierrez.

It is clear that in a global company like APCO, one of its most valuable assets is the ability to tap into the company's extensive worldwide knowledge base for local expertise. The key to APCO's success is what Kraus calls "glocalization" – a global view

on business operations supplemented by local knowledge. Working with educational institutions, corporations and non-governmental organizations in the U.S., and with a growing base of Chinese clients for work delivered in the U.S., APCO sees itself as a bridge between localities. From market entry and community outreach to dealing with local regulations and identifying local partners, at each end of that bridge is a place where we have good local understanding, says Kraus. Most recently, APCO has helped Chinese companies with potential acquisitions, U.S. regulatory issues and even mobilizing support of most-favored nation status for China.

Insight sat down with Kraus for an in-depth look at her views on the company's growth opportunities in China, global business diplomacy and the importance of the U.S.-China bilateral relationship. Kenneth Jarrett, vice chairman for Greater China, joined Kraus to share his perspective as one of APCO's China experts.

On factors driving business in China...

Margery Kraus: My personal philosophy is that the world is moving east. People are only now starting to believe me. From the get-go we believed this was an important market which is why APCO invested in China so early. The expectation was that we would grow as the market grew and that we would be able to provide services that expedited or accelerated speed to market for companies early on. We've been doing this around the world for the Washington D.C.-based multinational corporations who are headquartered where APCO is headquartered.

China is a big market. From the very beginning we came here because we think every company needs a China policy. We used to say every company needs a China policy even if that policy is to not go to China. While our business has grown each year, I've seen a remarkable change since the meltdown because the floodgates opened. Everyone realized

the growth engine for the future of the company was not what it was in the past. China represented an important part of the new normal – the new place that people would be going to.

For those companies already in the China market or with plans to expand in the market, it is clear that there will be a lot more to do because operations are not transparent. As a corporation, you have to translate your own experience into things that are appropriate to do in the local market.

There are certain industries in which China operations can save a company. The auto market is a good example. Another example is multinational corporations like Procter & Gamble whose China market is poised to overtake the U.S. market in the next year. There's real change going on. From our perspective, after being in this market for such a long time, now is the time to continue to invest to get to the next level.

On APCO's China strategy...

As we look ahead, China is designated as a high-growth practice area based on the expertise we have and where we can add value. China is front and center. Not only will there be investment, but also teaching opportunities for our worldwide colleagues to give them a better sense of what's going on in China so they can talk to their home-country clients and identify opportunities for those clients to grow in China. Everyone throughout APCO is aligned around this strategy.

One of the things APCO is trying to do in China is link up to our global practices so that issues like renewable energy or healthcare can be led from China so much so as from Germany. We are now taking these global teams, bringing them together and giving them a chance to get more global knowledge and see how the markets fit into that. China will be at the center of those practices. It grows our experience base.

On corporate social responsibility as a corporate strategy...

From 1997, APCO has advised companies about having a corporate social responsibility (CSR) policy for China. It was a great way to precondition their coming to the market and we sold this as a strategy.

Since APCO's origins in 1984, have helped companies align their business strategies with social practices and contributions. It was called "strategic philanthropy" then and now its "CSR" or "sustainability." We've been very much a part of that because APCO believes that doing well and doing good go hand-in-hand.

On Chinese investment in the U.S....

If you're a state trying to attract Chinese investment, you have to understand enough about China. Depending on the industry, you have to be prepared to "go to bat." If the Chinese are buying a facility in your state and there is controversy around it, work with the company and the community stakeholders to show why the foreign direct investment (FDI) is good for the state. A friendly and forgiving environment for Chinese investment is crucial because Chinese companies are relatively inexperienced in the market. We try to work with these Chinese companies to minimize risk and prepare for success.

On the U.S. regulatory environment...

The U.S. regulatory environment is tough and the process has become politicized especially in strategic industries. The CFIUS (Committee on Foreign Investment in the U.S.) process is befuddling to some. We've had clients who have been assured of White House backing only to misunderstand that Congress is its own animal. Most foreign companies are used to a centralized or parliamentary system of government but, in the U.S., even a strong president can't speak for the entire government. It's a hard governmental process for foreign companies to understand.

On business diplomacy in a changing world...

The move from G7 to G20 or more has changed the balance of power. It's not about the fall of America but the rise of the rest. Part of this is getting used to a paradigm where the U.S. is not the dominant player at every single thing; it's more of a shared situation. The mentality that comes from being a partner versus a leader will change. For the U.S. to succeed in the future, it is important to understand this change. From a business perspective, some of the big brands are starting over in new markets like China because they simply do not have brand recognition.

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GPS and APCO can companies help through business diplomacy. It is real and important. Companies expanding to new markets should do exactly what governments are doing: figuring out win-win outcomes. This requires balancing and requires negotiating stakeholder involvement in the deal.

On the state of U.S.-China relations as it affects business...

MK: Our clients are focused on their businesses but of course everyone has to operate within a context. Businesses need to ensure that their employees are aware of how policies affect the company. Increased internal communication between any given overseas office and their headquarters at home is important because that office is on the front line.

We have to be very careful about doing things that make sense at home but whose reciprocal action is harmful to business abroad. The “Buy American” provision in the U.S. economic stimulus package, for example, gave license to China to do the same later and then claim non-discrimination because they are simply following suit.

Kenneth Jarrett: Certainly all Chinese and American companies, regardless of nationality, pay attention to the bilateral relationship because it can bleed into and affect the business environment. In some ways, Chinese companies might be more sensitive because politics plays an important role in Chinese business.

On advice to new companies entering the China market...

KJ: If a company has a local partner, certainly exercising due diligence is essential. The company should set aside time upfront to learn as much as possible about their partner.

MK: First, do a market assessment in the industry to identify key stakeholders, the competitive situation in the industry and the regulations that will allow you to succeed or fail. APCO looks at how the goals and values align with China’s five-year plan. We think about the social responsibility aspects of market entry to show that a company’s commitment to China is not just about economics but what they can contribute to

society and how that fits in with their corporate needs. That is just as important a discussion.


China is a place where American companies learn to slow down. They are asked what they will give in return for the opportunity to do business in China beyond taxes – as in what they will do for their Chinese employees. American companies need to make sure this is part of their business strategy in China and APCO makes sure they understand how to do this and why it’s important.

On the future of doing business in China...

MK: People used to think investing close to home was less difficult so they put-off investing in China. Once the crisis hit, however, everyone realized that mature markets like Europe and the U.S. would not rebound as quickly as anticipated. They realized that China and the East represent the real growth engine.

This has set an expedited pace for businesses in China. Managers in China now have more pressure to produce and boost their numbers. China is subsidizing operations elsewhere in the world because recovery in mature markets won’t happen anytime soon. That has changed the game for a lot of people.

KJ: China is growing. With increased affluence, further economic integration and modernization, foreign companies today face stronger competitors. The operating environment is tougher now than before. China is also looking for something different now. Before, they were looking for any type of investment to improve living standards and create jobs. Today, China’s coastal cities, like Shanghai, are increasingly selective in the types of investment they seek to attract and they are turning over unwanted investment projects to second- and third-tier cities in China.

To be successful, foreign companies have to offer advanced management and modern technology – things which will only potentially strengthen competitors down the road. It’s so much more complex now than in the past. However, foreign companies are still able to succeed and prosper in China. 

Tiffany Yajima is an Associate Editor of *Insight*. She can be contacted at tiffany.yajima@amcham-shanghai.org.