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From public relations to corporate public diplomacy

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ABSTRACT

This paper illustrates several factors that make corporate public diplomacy a fundamentally different approach to activities that aim at legitimacy alone. A case study of a suspended Chinese hydropower project (i.e., the Myitsone Dam) in northern Myanmar is presented to address the functional differences and their implications for corporate practice. In particular, it illustrates how public resistance can prevent the success of direct foreign investments despite favorable agreements with host governments; also, it shows that corporate public diplomacy can be used to develop sustainable win–win solutions supported by the general public. While existing research suggests that an important function of *public relations* is to create a perception of legitimacy and that the hope of *economic and commercial public diplomacy* is to create a perception of attractiveness among the public in foreign countries, this paper suggests that the concept of *corporate public diplomacy* – that is, collaboration with the general public in a host country through negotiations directly with civic society – should be considered a supplement to other forms of corporate diplomacy.

1. Introduction

As international trade and direct foreign investments have grown rapidly since the mid-twentieth century, new forms of business-related communication have been developed, including public outreach activities linked to economic, commercial and corporate diplomacy. Scholars have discussed how to distinguish between these inter-related concepts (Asquer, 2012; L'Etang, 2009; Macnamara, 2012; Ordeix-Rigo & Duarte, 2009; Ruël, 2013a; Westermann-behaylo, Rehbein, & Fort, 2015; White, 2015). While existing research suggests that *public relations* is used by corporations partly in an effort to pursue and maintain legitimacy (Van Ruler & Dejan, 2005; Vos, 2011), *economic and commercial public diplomacy* promote their interests transnationally, and *corporate public diplomacy* implies an engagement directly with the public in host countries as well as transnationally.

Taking a suspended hydropower project (i.e., the Myitsone Dam in northern Myanmar) as a case study, this article aims to address the theoretical difference between old-school public relations and new-school corporate public diplomacy and its implications for practice. In recent decades, many CEOs have been baffled and shocked when they were faced with public outrage despite their efforts to do everything that the ‘old school’ described as good practice (Henisz, 2014). This confusion was expressed by President Lu Qizhou of the state-owned China Power Investment (CPI) when the Myanmar Government suspended the Myitsone Dam in which CPI is main investor. Talking to the *Financial Times* (Robinson & Hook, 2012), he said:

“After we did everything legally, why did we end up in a situation like this? We have been reflecting on this. As we go overseas, our central state-owned enterprises are not used to dealing with NGOs and with local people.”

From their experience in Myanmar, CPI noted that in the future they would have to “work more closely with non-governmental

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organizations and local residents in its projects abroad” (Robinson & Hook, 2012).

Considering the economic bargaining power that transnational corporations have when they invest in countries with a weaker economy (Bucheli & Aguilera, 2010; Ciepley, 2013; Palmer, 2016; Sikka, 2011; Strange, 1992), transnational corporations may reach favorable agreements with governments, but there is no guarantee that these can be implemented (Chan, 2016). As CPI and other transnational corporations have learned from past failures, democratic-minded governments do not want to enforce unpopular projects, and public resistance can be costly for corporations. As a logical consequence, if transnational corporations want long-term investments to succeed in such countries, then they must ensure acceptance from the public—this is where a corporate public diplomacy approach becomes useful. The public outreach may include negotiations and collaboration directly with the public in host countries, typically through civil society. Such activities are aspects of corporate diplomacy in line with other activities, including negotiations with governments, business representatives and international organizations (Asquer, 2012; Filatotchev & Stahl, 2015; White, 2015).

2. Methodology

This article will be divided into three main sections. First, central concepts are discussed, primarily from a functional perspective (Knudsen, 2010; Luhmann, 1979) and in a corporate rather than public administration context. This conceptual part of the paper is based on a cross-disciplinary literature review drawing on theories and insights from public relations, international communication, journalism, international relations, sociology, political science, and business studies. Second, corporate communication related to the suspended Chinese-Myanmar joint venture (i.e., the Myitsone Dam) will be discussed in light of these concepts. While the focus is on published communication, this analysis is supported by insight from several fieldtrips to the area in 2015, including interviews with opinion leaders and visits to the villages in which people affected by the project have been resettled.¹ The third and final section contains a discussion of lessons learned from the problems faced by the investors in the Myitsone Dam project.

3. Concepts: from PR to CPD

The twentieth century witnessed an exponential growth in international trade and foreign direct investments. It is possible to identify three distinct phases in the growth of international trade, each of which was accompanied by the emergence of new strategic approaches to business communication:

1. The first half of the twentieth century, in which the vast majority of trade was domestic, and international trade grew very slowly (UN, 1962). This period also consisted of decades where *public relations* as an approach was gradually adopted by the corporate world (Cutlip, Center, & Broom, 2000; Goodman & Hirsch, 2010; Stoker & Rawlins, 2005; Vos, 2011). As discussed in Section 3.1, a key concept is legitimacy.
2. The years of 1960–1990, in which international trade gained speed. This development was linked to an increase in state sponsored *economic and commercial diplomacy*, including business related public diplomacy activities. A key concept in this context is attraction (Nye, 2014; Ordeix-Rigo & Duarte, 2009).
3. The millennium years of 1990–2010, in which international trade more than tripled (OECD Stat Extracts 2014). Transnational corporations emerged as powerful actors who could engage in diplomatic activities in host countries independently of any home country diplomacy (Westermann-behaylo et al., 2015). A key concept that has emerged in relation to *corporate diplomacy* is collaboration (Asquer, 2012).

The concepts are not mutually exclusive, so an act can simultaneously contribute to perceived legitimacy, attraction and collaboration.

3.1. Claiming and maintaining legitimacy

Asquer (2012) writes that *public relations* activities, among several tasks, are “focused on tackling a particular issue arising from opportunities or threats from the environment, using either a proactive or reactive stance.” While modern public relations embrace many different activities (Turk, Valin, & Paluszek, 2014), an important function is to create, maintain and (if needed) repair a public perception of legitimacy and trust that is a foundation for a license from society to operate.

Patriotta, Gond, and Schultz (2011) suggest that legitimacy is created, maintained and repaired through an ongoing process in which an actor such as a corporation is scrutinized by multiple stakeholders in a public arena, and therefore that actor manipulates logic in order to justify its activities. In this process, stakeholders can draw on the orders of worth described by Boltanski and Thévenot (2006). Including a later extension, these orders are market, industrial, civic, domestic, inspired, fame and green (Patriotta et al., 2011). In relation to the Myitsone Dam test of legitimacy, four orders of worth are especially prevailing: the industrial (technical efficiency and engineering expertise), civic (collective welfare and fundamental rights), domestic (heritage and locale) and green (environmental friendliness and natural habitat). Press coverage has been used as empirical data in analyzes of public controversies because it allowed the researchers to study the rationales of stakeholders (Gond, Barin Cruz, Raufflet, & Charron, 2016;

¹ The Myitsone Dam construction area itself was not accessible.

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