Government Promoting Communication Tool in Innovation Development of Companies

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Abstract:

New management tools are required to enhance interaction between Russian companies and government agencies for innovation development. A major interactive tool are Government Relations (GR) communications promoting a new relationship model in terms of innovative system management. Interaction with the authorities is a major factor in innovation development, and the company’s excellent reputation in the eyes of the authorities is a key element for business success and implementation of innovations.

The study provides an explanation of the notion of ‘Government Relations’ (GR) and examines various academic approaches to GR in modern economics. We investigated the reasons for the development of GR at its present stage. The article looks at several GR tools in Russia public Relations (PR), public-private partnership and corporate social responsibility. We analyzed differences between lobbying and GR and demonstrated that lobbying is one of the key components (active phase) of GR activity.

Data are provided on activities of the GR departments of major corporations of the Russian Federation. Furthermore, we examined the characteristics of PR development in Russia and substantiated the need for the implementation of GR into Russian enterprises and for training of highly qualified GR managers in Russia.

Keywords: Government control, public affairs, Government Relations, Public-Private Partnership, Corporative-Social Responsibility, lobbying, GR-manager.

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1. Introduction

To facilitate transition to innovation economics, there is an urgent need to reconstruct the Government’s Relations (GR) management system in terms of communication between the authorities and senior management, taking into consideration the need to revise mechanisms for planning the company’s development and the long-term goals, challenges and mechanisms for managing innovation development of Russia. This dialogue aims to achieve the most propitious and comfortable conditions for the implementation of innovative activities in the rapidly changing competitive environment. In this respect, monitoring of the activities in which government structures are involved is necessary to ensure the efficiency of GR communications to better understand criteria for placing a company among high-technology and innovative enterprises, for improving the rating of companies and for receiving methodological, analytical and other assistance from State structures. An active implementation of GR communication programs ensures increased gains from economic assets, resulting in an economic growth of specific firms and, overall, of territories.

There are different approaches to interpreting GR. Tolstykh (2012) believes that GR is one of the subsystems of communication management aimed to increase comprehensive profitability and to ensure sustainable business development of a company (organization) by establishing a long-term, convenient and predictable system of relations with relevant federal- and regional-level political stakeholders, industry associations, non-profit and public organizations, as well as government authorities. Kulakova (2005) states that GR refers to the following:

- an independent area of communication management, aimed at coordinating the organization’s own interests with those of various authorities with a view to reduce risks and ensure sustainable development;
- a combination of technologies and methods directed at promoting and defending the organization’s interests and at managing risks originating in an external environment (local and State authorities, competitors, consumers of products and services, investors and stakeholders);
- a technology ensuring an effective transmission of the organization’s message to various authorities responsible for making political decisions in complicated political interactions (negotiations, bargaining) centered around various attitudes towards draft legislations, staff appointments, mass actions in support of or against some decisions.

To sum up, GR refers to the establishment and improvement of relations with the authorities to promote and defend the interests of an organization, to reduce risks and to ensure its sustainable development, in other words, the creation of propitious conditions for the company’s activities in a rapidly changing competitive environment.
Foreign researchers, however, point out that the extent of the State’s influence on the company’s activities has a direct impact on the latter’s attitude towards this corporative function. Its significance is huge in the corporate structure of economic sectors subject to increased government regulation (tobacco, alcohol, telecommunication, pharmaceutic industries, among others), since the corporative function under investigation has a huge influence on the economic performance of an enterprise/industry. GR is underdeveloped or totally absent (Fleishon, 2009) in sectors, where such relations are not immediately evident (IT, computers, etc.). This fact underlines the need to implement GR communications into Russian companies that stay behind their competitors from industrialized countries in terms of innovative development.

2. Methodology

The study is based on academic research methods, such as deduction and induction, research literature analysis, the case method, and the comparative method used to reveal general and specific characteristics of GR tools and GR practices in Russia and abroad. The article aims to examine the possible uses of a few GR tools in innovative development of Russian companies, focusing on PR, Public-Private Partnership and social responsibility of business.

3. Results

Researchers outside Russia affirm that GR specialists overseas make use of four main tools in their activities, namely, lobbying, public relations (PR), social responsibility of business or Corporate Social Responsibility (CSR) and Public-Private Partnership (PPP) (Boddewyn, 2016; Giannakopoulou et al., 2016). In our view, lobbying is a topic that deserves to be examined in a separate paper; therefore, this study will focus on other GR tools such as PR, PPP and CSR.

Achkasova (2016) observes that today the mass media is the most powerful GR tool to fight competitors in non-information sectors (finances, government and industry). The American business association illustrates these practices as: “Thus, the American Bank Association hired Bonner and Associated, an enterprise that had created a vast communication system comprising telephone and computer databases. It took this enterprise several hours to call and send letters to thousands of citizens to shelve the Congress’s bill aimed at reducing credit card percentage rates. The enterprise initiated 1,000 phone calls made by citizens to the members of the Committee on Banking, resulting in [the rejection of the bill]” (Reinhardt, 2013).

Today, public forms of pressure are gaining momentum, especially among ‘outsiders’ who are having difficulty in accessing entities responsible for decision-making, such as environmentalists, societies for the protection of animals, which are usually looking to work with the mass media, and special events with outside target audiences (Profgid, 2013; Smorgunova and Timofeyevoy, 2012).
Everyday events have increasingly demonstrated that it is impossible to influence government control without the support of the public opinion. Therefore, PR is one of the four key tools of any GR expert. As for the gray PR, whose implementation has reached its climax in the past decades, the author, after examining the source base regarding the Americans’ use of GR techniques, has arrived at the conclusion that in this regard Russia’s GR is lagging in its use of human technologies. In the early 1970s, a revolution took place in American GR. The following professional qualities were typical of the specialists of the old school who had embarked on their careers in the period between two world wars: a) minimum publicity; b) work done mainly by professional lawyers instead of communications specialists; c) GR’s limitation to direct lobbying and occasionally to grassroots. An imbalance, however, still exists on the territory of the former Soviet Union in favor of indirect impact (Waymer, 2013; Menshchikova and Sayapin, 2016).

In the United States, the situation started changing in the late 1960s, best illustrated by the GR confrontation between railroad workers and truck owners, as described in The United States: Lobbying and Politics, a major work by Zyablyuk (1976). By the early 1930s, over 3,600,000 trucks had been registered in America. The American Trucking Association was established in 1938, and its members transported in 1967 40.5% of all American cargoes, while only 32.9% were transported by railroad.

Having lost their monopoly on the transport of goods, railroad tycoons demanded that public authorities should take measure to reduce the new competitor’s capacities. As early as 1950s, a conference attended by eastern railroad managers had requested the assistance of Carl Byoir & Associates, the largest PR company of its time. It launched a long-running propaganda campaign in American literature, which was said to be its major achievement. The company’s letter of instruction read as follows: “For our purposes, we welcome any short story, radio show, film or project emphasizing the overloaded highways, the damage caused to them by heavy trucks and the high cost of these roads, whose burden lies heavily on ordinary people”. The whole PR campaign was moving in this direction. Real and fake third-party organizations that were not officially interested in the outcomes were involved with concealment purposes. The Automobile Owners Association of America, the Pennsylvania Farmers’ Association, the New York Federation of Women’s Clubs were involved, along with the fake New York Transportation League and another fake organization for examination of taxation of highways users.

The campaign lasted several years, resulting in the US Congress’s passing legislation in 1956 determining the maximum permissible dimensions and loads of vehicles (the states violating the new would lose federal funding). This law, however, did not concern the Eastern United States, since it did not have a retroactive effect. Therefore, in November 1967, the Western United States wanted to enjoy equal rights with the Eastern United States. As a result, a bill of law was proposed to increase the carrying capacity of Western automobiles. In the beginning of 1968 it easily passed the Public Works Commission of both houses of Parliament.
and the procedures of the commission from the House of Representatives and was put to vote. However, the third party – the American Automobile Owners Association of America and the influential Unites States Conference of Mayors were against it. So, truckers were forced to address the public, in other words, to launch a PR campaign in July 1968.

Carl Byoir & Associates ran its own anti-campaigns in 17 regional media from July to September, focusing on very large amounts of money spent on road repairing and on funding of the pre-electoral campaigns of senators from the truck lobby group. Senators felt they had to be very careful in the pre-election year, therefore the bill was ‘killed’ (the term means rejection of a legislative initiative by exceeding the time limit of the legislative procedure). This happened to be the main industry collision of American politics in 1968.

The future lies with thorough ideological and PR work. According to a researcher, “he who controls the possibility of a media transformation of this or that problem into a “threat for society” can make this or that issue trivial or vice versa. No politician aspiring to be reelected can afford not to respond to the PR campaign on a specific issue” (Halff and Gregory, 2015).

Consequently, GR specialists will give more attention to PR in the future, and, accordingly, they will have to be conversant with issues relating to ideological support and crisis communication. Social responsibility of business (SRB) is one of the forms of corporate self-regulation integrated into the company’s business models. Researchers propose the following definition of what social responsibility of business is: “An evident or supposed social contract of the corporation with interior and exterior interested parties, according to which it obeys to the laws and regulations of the authorities and acts in compliance with ethic principles which surpass statutory requirements” (Wang and Sarkis 2017). The objective of the SRB strategy is to take responsibility for the company’s actions, to enhance its positive influence, among others, on every branch of government and of all levels of government control within the legal framework. Besides, socially responsibly companies contribute substantially to the elimination of activities that harm the social sphere and, thus, help the State. In fact, the SRB is to consider the public interest when making corporate decisions.

The term ‘corporate social responsibility’ was introduced in the late 1960s, a period of establishment of many transnational companies. However, it was the book written by Freeman (2010) and entitled Strategic Management: A Stakeholder Approach (1984) that exerted a major influence on the development of SRB practices globally. SRB supporters observe that corporations guarantee themselves profit in the long run by using this tool, whereas its critics believe that SRB distracts the management from the company’s economic functions and serves as a smokescreen for the authorities’ attempts to control transnational companies by ‘bribing’ society as an excuse for their harmful activities (Fet and Knudson, 2017; Havlicek et al., 2013).
Today, innovation development of companies and of entire territories is possible if high quality and well-functioning economic processes are achieved, as well as high social stability in society. Implementation of basic social partnership principles can promote this process, requiring harmonic relations among main subjects, namely, the authorities, commercial companies and civil society institutions. Therefore, social responsibility of business is coming to be seen in terms of its reputation in society and further development rather than as the company’s PR resource.

International practice has shown that social SRB enables companies to improve their business reputations, to establish balanced and trust relationships with both the State and society. At the same time, business may have different motivations, but one of the key ones are the so-called eventual ‘negotiations with the authorities’ on all kinds of issues (Jha and Cox, 2015; Dzhukha et al., 2017).

In Russia, a common form of SRB, which should be distinguished from social investments, are the so-called ‘self-imposed compulsory’ contributions initiated by the authorities. They are based on informal – and often underhand – interactions between businesses and the authorities in the regions, which are aimed at maintaining the status quo of the population’s social problems instead of dealing with them. At the same time, Russian companies are starting to address specialists to develop SRB strategies (an in-depth analysis of the competitors’ SRB strategies, the study of world practices, the search for market opportunities, their comparison with the interests of target audiences and their selection considering the company’s position, development of tactics and analysis of the results) (Belyayeva, 2011).

In Great Britain where Public-Private Partnership, or PPP, is highly developed (Kashin, 2005), this particular GR tool refers to the combination of forms of medium- and long-term interaction between the State and the business sector to deal with socially useful tasks in a mutually beneficial manner. A narrow definition of PPP implies that it will be used only in economics; in a broader sense, it can be implemented into politics, culture, science, government management and so on.

Initially, most PPP deals, initiated by John Major’s government in the early 1990s, were valid for one occasion only. The launch of PFI (Private Finance Initiative), the first systematic program to stimulate PPP, dates to 1992. The Labor Government under Tony Blair that came to power in 1997 kept PFI but strived to shift the focus towards achieving the price/quality ratio, mainly through risk-sharing (Allen, 2001).

In Australia, most regional governments adopted PFI-based systematic programs. In Canada, the Canadian Council for Public-Private Partnerships (CCPPP), founded in 1993, provides support for several regional projects. In 2009, the federal Conservative government headed by Stephen Harper strengthened its commitments by establishing PPP Canada Inc., a federal parent Crown corporation. CCPPP in involved in research, publishes the results, organizes discussion forums and funds annual local and international conferences on Public-Private Partnerships. Of interest
is the European PPP Expertise Centre (EPEC), which was founded to support the public sector and to analyze problems relating to this GR tool (Federal Law of 13 July 2-15, No 224-FZ).

In Russia, the relevant law was passed in 2013 (Amuntz, 2005; Kalinina, Petrova and Buyanova, 2015). Researchers state that the ideal PPP project has a strong public/social focus; the State and business are equal partners; and the parties share financial risks and expenditures, as well as achievements, in predetermined proportions (Garg and Garg, 2017).

Other examples of PPP, besides public-private enterprises, are, in a broad sense, government contracts, rental relationships, leasing (local self-management), concession (long-term project implementation), public venture funds, operators (mainly for recycling programs), cooperation, mutual real estate funds, and so on. Globally, PPP is mostly used in road construction and in the public utility sector.

In terms of GR, PPP becomes a two-stage multi-level communication process. At the first stage, the authorities and business express in turns their opinions on how this or that problem should be handled. Further consideration of the issue shifts to a multi-level exchange of opinions and to discussions involving society (Roehrich and Lewis, 2014; Stroeva et al., 2015; Bibarsov et al., 2017).

PPP often functions as follows: a private partnership player, established as a bank consortium, a construction company or a service company, enters into a contract with the State to create, for instance, a clinic. Private capital funds and manages its construction, whereupon the authorities rent this clinic for the provision of health services. As a rule, the PPP enterprise is created with a specific project in mind. Interestingly, medium-sized businesses can take part in PPP, since the consortium may consist of several dozens of firms. In some types of PPP, the cost of using a service is covered totally by PPP users rather than taxpayers. In other types of PPP (for instance, a private financial initiative) capital investment is made in the private sector under the contract with the governments with a view to coordinate the services and the cost of the service provision funded in total or in part under the State budget. The government’s contribution to PPP can be in kind (transmission of available assets). In case of projects carried out for the public good, the government can provide subsidies payable as a lump sum to make them more attractive for private investors. In other cases, the government can support a project by providing it with tax incentives or a guaranteed annual income for a certain period. As a rule, complicated security mechanisms and contracts are widespread in the Western European infrastructure sector.

A common issue relating to PPP projects arises from the fact that private investors’ rate of return was higher than the bond rate fixed by the government. However, even with all or almost all profits, the project-relates risk concerned mostly the public sector. Today, experts are discussing a new PPP model, called Public-Private
Community Partnership, in which profit is no longer perceived by business as its initial goal. This model is widely used in India: “Boss-client relationships are a feature common to many agrarian societies.” (Mukhopadhyay, 2016; Vasin et al., 2017).

4. Discussion

In present-day Russia, GR is becoming the most effective communication tool in building regional innovation systems. This is due to the significance of regions for the implementation of technical and engineering innovations, to the most efficient infrastructure in each territory and to the effective interaction between the authorities and business and between various economic actors. At the same time, the quality of the environment and various institutional factors peculiar to this territory determine the economic effectiveness related to the implementation of the innovations themselves. Specific innovation processes determine further development.

A rapid job growth and performance of major foundations take place in regions that are successful at implementing product innovations. Job losses are happening in regions that are more successful in process innovations, but, at the same time, there is a significant increase in productivity there. As a result, each of the territories participating in the innovation process gets its own area of specialization.

However, lack of highly qualified and competent specialists, insufficient procedural framework and methodological base for building GR communications in regional innovative systems, as well as absence of large and medium-sized companies with government bodies may lead to an irrational, unjustified and incorrect contacts with the authorities and to the lack of comprehension of the companies’ strengths and weaknesses and of the organizations possible actions when taking public decisions. Nonetheless, GR managers are trained at the Moscow State Institute of International Relations, the Higher School of Economics, the Lomonosov Moscow State University, the Russian Presidential Academy of National Economy and Public Administration, the Financial University under the Government of the Russian Federation and some others.

Large and medium-sized business occupy a crucial role in organizing regional innovation systems at the current stage, because their regional strategies may promote or suppress innovation processes locally. Innovation strategies of large companies represent a key benchmark in developing innovation programs of individual territories. Analysis of plans for innovation development of business structures, in which GR specialists act as an important communications link, allows the regional authorities to better understand the companies’ motivation in investing into research and other innovation activities, determinants of and barriers to innovation processes, as well as the influence that these processes exert on the socio-economic development of the territory. The companies’ innovative development also incites the regions to initiate and develop these processes.
The scenario approach to building GR communications within companies in innovation is based on the construction and development of various “cases”, which are related to an informal dialogue between the company and government structures, and of plausible options for the development of future scientific and innovation processes for the good of society in general, which must be well structured and logical to be understood by government structures. Through the implementation of activities by adopting the scenario approach, the GR communications building strategy become a well-structured plan for GR activities and, furthermore, acquires the required flexibility to maintain the business’s success in achieving various forms of interaction with federal, regional and municipal authorities.

Hence, the scenario approach to building GR communications refers to set of mechanisms, methods and principles aimed to ensure and guarantee the following:

- Elimination of incoherence in the development of the company’s GR communications;
- An efficient application of all tools and means available for engaging into dialogue with State structures;
- A comprehensive review of all strategic decisions taken with respect to the organization’s innovation and research activities, taking into consideration the interests of State structures, with which the organization holds an informal dialogue;
- The development and improvement of the strategic thinking skills of GR specialists working for the organization;
- Establishment of an efficient framework and a results-oriented selection of tools required to make a strategic plan for interaction between the organization and State structures;
- Creation, within the organization, of a self-learning system to build GR communications as part of the organization’s interaction and dialogue with State structures.

Management of the innovation development of federal- and regional-level companies requires a precise goal-setting and comprehension of the current situation, an explicit positioning in terms of research potential, industrial basis and service industries. As of today, only a limited number of regional companies was able to set specific innovation development goals and to propose measures to achieve them corresponding to available public and private funding.

The North-West Center for Strategic Research assessed the outcomes of the implementation of six kinds of public funding provided to develop the regional innovation infrastructure, concluding that, together, they influence 0.06% of the job market and 0.8% of the output of Russia’s manufactures, including grants for the development of regional engineering centres (0.4% and 0.6% respectively), grants to Skolkovo (0.02% and 0.07%), grants to innovation territorial clusters (0.5% and 0.2%), grants to engineering centers affiliated with leading technical universities (0.2% and 0.01%), grants to special economic zones of technical innovation type
(0.6% and 0.02%) and grants to high tech parks (0.03% and 0.1% respectively) (The North-West Center for Strategic Research, n. d).

Consequently, the State’s support for the innovation infrastructure did not have any major direct impact on the socio-economic development of Russia and its regions in terms of job creation and the development of modern manufactures. The problem is aggravated by the lack of common terminology and the coordination of activities at all levels of government. The lack of common terminology leads to the arbitrary interpretation of publicly funded goals. Eventually, this leads to the underdevelopment of state-of-the-art technologies in the Russian Federation.

5. Conclusion

The above leads to the following conclusions:

GR refers to the establishment of relations with the authorities with a view to promote and protect the organization’s interests, to reduce risks and to ensure sustainable development, i.e. to create propitious conditions for the company to perform efficiently in the rapidly changing competitive environment.

Public relations are not only one of the main tools available to the GR specialist, but also the strategic function of the entire enterprise, because organizations cannot expect to go through crises easily without good communication. Public-private partnership can become the form of cooperation between the State and business that will considerably improve Russia’s major infrastructure facilities; this, in turn, will speed up the growth of Russian economy. Social responsibility of business is what distinguishes in Russia large corporations from small and medium-sized business; therefore, its presence is a key element in the establishment of the enterprise’s ethic system.

Practice in Russia and abroad shows that today most innovation centers are clustered around several big cities. This does not give rise to major problems in small-sized countries, but the lack of a developed research and innovation infrastructure turns into a limiting factor for some members of the Russian Federation. The use of various GR tools is the key to improving the situation.

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