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THOUGHT LEADERSHIP BRIEF

Building a Bridge over Muddy Waters - Findings from a Survey of Hong Kong SMEs on their Understanding of the Greater Bay Area Initiative

Joon Nak Choi

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ISSUE

The Greater Bay Area (GBA) initiative started with an ambitious goal: integrating the Pearl River Delta into a single economic region with the mass of Greater Tokyo, the wealth of New York City, and the innovativeness of the San Francisco Bay Area. The GBA initiative, including not only mainland cities such as Guangzhou and Shenzhen, but also the Hong Kong and Macao Special Administrative Regions, was intended to unite a larger number of people, a wider variety of industries, and a greater potential for growth than any other economic region in the world. Simply put, policymakers envisioned the GBA as becoming the greatest city (or cluster of cities) in the world.

The first step towards realizing this vision was clear: building a transportation infrastructure linking over seventy million people living and working hundreds of kilometers apart. Massive infrastructure projects, such as the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, have indeed been completed over the years and significantly reduced travel times within the area. Thus, they have become highly visible symbols of the GBA initiative.

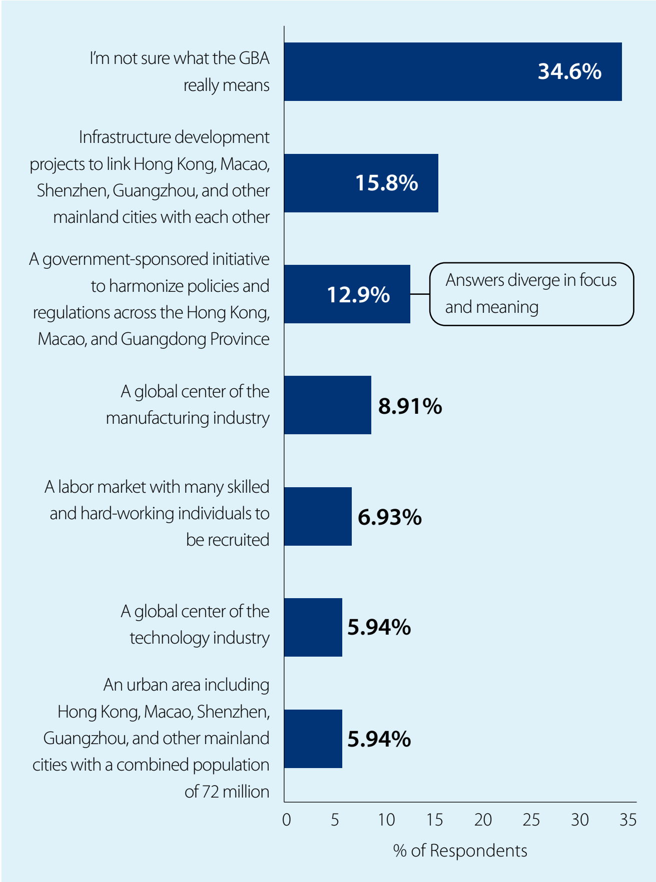
Beyond infrastructure, however, the GBA initiative's symbolic importance and practical meaning may have become somewhat unclear. The idea of the GBA has been linked to a bewildering array of policy initiatives, ranging between the Belt and Road Initiative, policy synchronization between Hong Kong and the mainland, and efforts to develop the GBA as a technology hub. Under these circumstances, it would not be surprising to find the average businessperson somewhat confused about the nature of the GBA and the GBA initiative and more importantly, how they might benefit. Such confusion may limit business participation in GBA-oriented policy initiatives and dilute their impact.

ASSESSMENT

How do business leaders perceive the GBA, and what does it mean to them? What opportunities do they see there? How would they act upon these opportunities? To answer these questions, Zectr conducted a telephone survey of 101 executives from small and medium-sized enterprises (SMEs) in Hong Kong during May 2021. The sample was stratified to be split evenly between respondents whose companies had business development, manufacturing, or other operations in mainland GBA cities, and respondents whose companies had no such presence.[1]

[1] Potential respondents were screened out if they were under 25 years old or had no input on their companies' strategic decision-making; nearly all respondents were either the Chairman or CEO, a functional head, a senior manager, or a regional or practice head. Nearly 90% of respondents had over ten years' worth of experience in their respective industries, and nearly 70% had worked in their companies for ten or more years. Respondents' companies were typically small; 62.4% had fewer than 10 employees, and 25.6% had 10-49 employees. Over half of respondents' companies focused on trading or manufacturing, with other common foci being audit, architecture, consulting, and design.

Figure 1. Respondent Perceptions of the Greater Bay Area

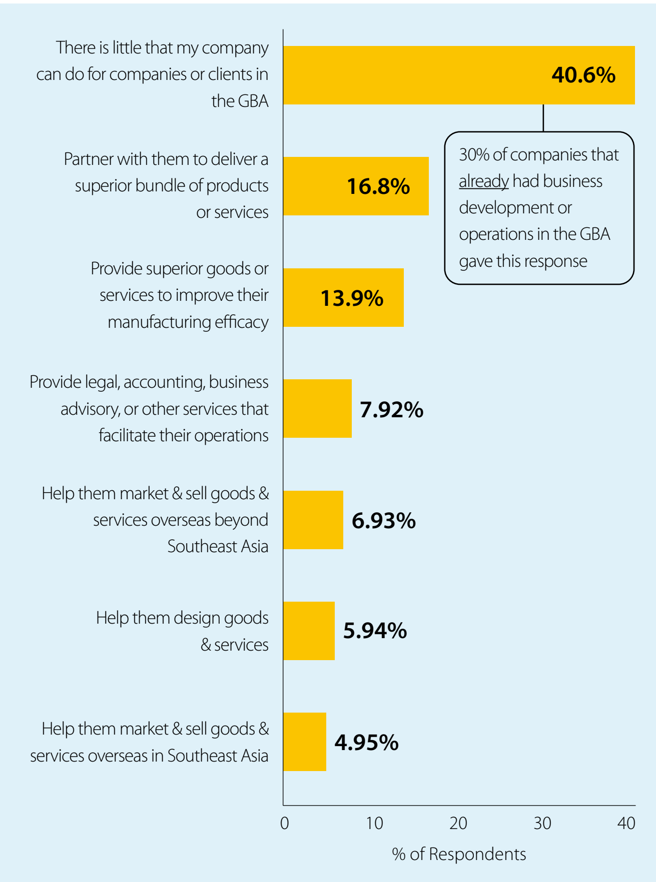


Notes: Respondents were asked "What does the Greater Bay Area (GBA) mean to you?" and asked to allocate a maximum of 100 points across various options. Respondents were counted as selecting an option only if they allocated 50 or more points to it. The most common 7 responses are shown.

Many survey respondents were unclear what the GBA actually meant. When asked this question, the most common response was a lack of clarity; over a third of respondents indicated that that they were not sure what the GBA really meant (see Figure 1). The second and third most common responses related to integration, with 15.8% of respondents viewing the GBA mainly as infrastructure projects, and an additional 12.9% as policy harmonization. The remainder of the most common responses were descriptive of the area in general social, economic, and demographic terms. Overall, these findings indicate that a coherent vision of the GBA is not being adequately communicated to business leaders.

Similarly, respondents' companies had neither a coherent view of the GBA nor a coherent strategy for taking advantage of the initiative. 43.6% of respondents indicated that their companies had no coherent view of the GBA. This figure rose to 58.1% for respondents from companies without existing GBA operations; yet, this remained the most common response (29.4%) even among respondents from companies already operating in the GBA. Other respondents' companies did have a coherent view of the GBA; as might be expected, many (18.8%) viewed the GBA mainly as a production base. Perhaps a more surprising finding was that 25.7% of respondents viewed the GBA mainly as a gateway into the mainland China market.

Figure 2. SME Perceptions of Opportunities in the Greater Bay Area



Notes: Respondents were asked "What can your company do for companies or clients in the GBA?" and asked to allocate a maximum of 100 points across various options. Respondents were counted as selecting an option only if they allocated 50 or more points to it. The most common 7 responses are shown.

The lack of clarity indicated by these findings appears to be affecting SMEs' intentions to do business in mainland GBA cities. When asked about the opportunities they saw in the GBA, the most common response (expressed by 40.6% of respondents) was that they could not see anything they could do for GBA-based clients. Interestingly, this was also expressed by over 30% of respondents from companies with existing GBA operations, noting that operations encompassed both manufacturing and sales, so that such respondents' companies might not actually have sales in mainland GBA cities. Yet, it is interesting that so many companies with exposure to the GBA saw no opportunities. The remainder of the responses were fragmented across a variety of options reflecting their own, varied industries of focus.

Likely for these reasons, two-thirds of respondents' companies expressed little or no interest in investing into growing their mainland GBA businesses. When asked about barriers preventing further expansion into the GBA, respondents highlighted well-known factors such as regulatory differences between Hong Kong and the mainland, insufficient funding, cultural differences from Hong Kong, and higher taxes in the mainland. Another common response was unstable market conditions. However, the most common response by far was that no barrier actually prevented expansion into mainland GBA cities – the lack of such expansion indicating that companies saw little or no value there.

Overall, our findings indicate that nearly half of SMEs and their executives lack a coherent view of the GBA and associated initiatives, see little or no opportunity there, and consequently have little or no intention of investing in mainland GBA cities.

RECOMMENDATION

One plausible interpretation of our findings is that linking the GBA to a bewildering array of policy initiatives has muddied the waters regarding what it really means and why it matters for businesses in Hong Kong. Since the GBA has been linked to what seems like every policy initiative proposed by the Hong Kong SAR government – in addition to Macao and various mainland entities – it may have become so diffuse and diluted that it means nothing at all. Perhaps for this reason, the label has come to have little symbolic importance or practical meaning among SMEs, although larger enterprises with stronger connection to policymakers may have a different perspective.

Policymakers may want to choose between two alternatives regarding the GBA initiative. One option is to make the vision of the GBA more coherent and more carefully specified, applying the GBA label more selectively. Any policy initiative labelled as GBA-related must have a clear and concrete link to what policymakers intend the GBA initiative to accomplish. This may be difficult, however, given the sheer number of entities in Hong Kong, Macao, and the mainland that have been proposing GBA-related policies. The other option may simply be to drop the GBA label and replace it with something that will be used more carefully and selectively.

Regardless which option they choose, policymakers should remember that great urban areas are more than masses of people living in close proximity. Great urban areas are complex social and economic systems composed of intricate functional parts, such as specific economic drivers that fit together in specific ways. More often than not, these complex systems result from organic evolution. Carefully crafted policy initiatives can certainly assist in this process; however, they are more of a catalyst than a driver. This means that they must recruit participants (e.g., SMEs) and inspire them to participate. How cohesive the narrative around the GBA becomes, and how carefully they are presented to SMEs, will likely have a large effect upon the chances of the GBA vision becoming reality.

Joon Nak Choi holds academic appointments as Adjunct Assistant Professor at the School of Business and Management and as Faculty Associate at the Institute for Emerging Market Studies at the Hong Kong University of Science and Technology (HKUST). He has previously held appointments at the Shorenstein Asia-Pacific Research Center at Stanford University as Visiting Assistant Professor and Koret Fellow (2016) and as William J. Perry Postdoctoral Fellow (2010-2016). He was Visiting Assistant Professor of the Practice of Economics for NYU Shanghai and has worked in the private sector as a management consultant and entrepreneur.

This Thought Leadership Brief is part of a series of IEMS publications on the the Greater Bay Area, which also include:

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HKUST IEMS
INSTITUTE FOR EMERGING MARKET STUDIES

T: (852) 3469 2215
E: iems@ust.hk
W: http://iems.ust.hk
A: Lo Ka Chung Building, The Hong Kong University of Science and Technology, Clear Water Bay, Kowloon

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