

CONNECT

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Why Do Some People Switch Jobs More Frequently Than Others?

The Visible Hand in China's Economy

A Tale of Two Cities: Global Entrepreneurship Monitor 2016

*China's Pearl River Delta Development:
A Game Changer for Hong Kong*

Mastering the Art of Holding Fast and Letting Go



CUHK Business School
The Chinese University of Hong Kong



Dean's Message

I would like to welcome our readers to this edition of CUHK Business School's magazine CONNECT. The magazine provides a platform to inform readers of selected business topics through articles written by staff and guest writers.

In this issue, we look at two important research studies and a global report by our professors: the interplay of genetic and environmental influences on job satisfaction; how political forces intervene in the operations of CEOs in China; and how Hong Kong and Shenzhen can leverage each other's strengths in the development of entrepreneurship.

We'd also like to share the insights by Dr. Fang Zhou of One Country Two Systems Research Institute on how Hong Kong should take part in the development of Pearl River Delta region; as well as an inspiring story of one of our alumni.

Situated at the world's doorway to China, with a well-developed foundation in business education and research, CUHK Business School has a unique role in nurturing business leaders of tomorrow. We hope you will find the articles both interesting and stimulating.

Prof. Kalok Chan

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Why Do Some People Switch Jobs More Frequently Than Others?

The Interplay of Genetic and Environment Influences on Job Satisfaction

Li Wendong, Assistant Professor, Department of Management



While some of us are happy to stay in our jobs for life, others find it hard to stick to even one. What makes us feel satisfied with our jobs? Is it the *environment* or it is *us*?

According to the data from the National Longitudinal Surveys of Youth ^[1], it is possible that some people have worked in more than 10 jobs in a lifetime. In the study highlight posted by the US Bureau of Labour Statistics (LBS), "on average, from age 18 to age 48, American men held 11.8 jobs and women held 11.5 jobs."

What is interesting is also the fact that the younger generation are more likely to change jobs than their older counterparts, as the report reveals that "men held 5.7 jobs from age 18 to age 24, compared with 2.4 jobs from age 40 to age 48".

While some of us are happy to stay in our jobs for life, others find it hard to stick to even one. So what makes us feel satisfied with our jobs and stay on while others feel the opposite? Is it the *environment* or it is *us*?

Research by Prof. Li Wendong of the Chinese University of Hong Kong (CUHK) Business School has shed light on the interplay of genetic (i.e., the person) and work environment and how they influence the relationship we have with our job.

The Indispensable Role of Genetic Influences on Job Characteristics

“Traditionally, people believe that it is primarily the work environment, such as managers and organizations, which influences our job characteristics, such as the tasks we perform and the amount of autonomy we have at work” says Prof. Li Wendong, Assistant Professor in the Department of Management at CUHK Business School.

“But accumulating research ^[2] on *person-environment fit* has revealed the indispensable role of the person in influencing individuals’ job characteristics,” he says.

Prof. Li has been participating in extensive research in the genetic influence on work behavior. Earlier, his study ^[3] has revealed how the dopamine transporter gene DAT1 contributes to the emergence of leadership in a person.

“People are not randomly assigned to work environments; instead, they select themselves, and/or are selected into compatible work environments to garner the optimal level of *person-environment fit*,” he says.

We can all relate to the fact that when looking for a job, apart from considering the salary and perks, we would also consider whether the job nature suits our personality.

“This is a form of manifestation that genetic factors shape our work attitudes and behaviors,” he says.

However, it doesn’t mean the environment plays no part at all. While the role of genetic influences is indispensable, environmental factors still play a role in affecting work characteristics.

His another study ^[4] examined how a dopamine genetic marker, DRD4 7 Repeat allele, interacted with early life environmental factors (i.e., family socioeconomic status and neighborhood poverty) to influence job change frequency in adulthood. The gene is closely related to human motivation, reward, and self-regulation, which in turn may affect educational achievement and job changes.

“In our findings, higher family socioeconomic status was associated with higher educational achievement, resulting in higher frequency of voluntary job changes and lower frequency of involuntary job changes; such relationships were stronger (i.e., more positive or negative) for individuals with more DRD4 7R alleles.

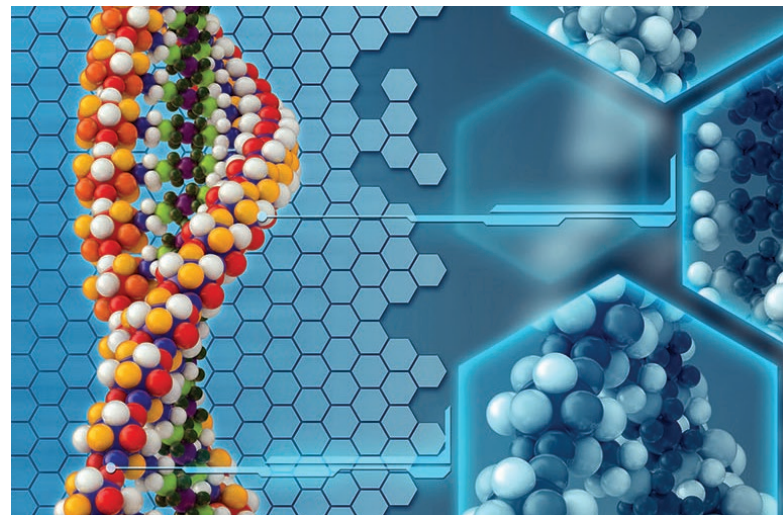
“The results also told us the importance of providing a supportive environment to children and adolescents, which will have a positive influence not only on their immediate education outcomes but also on their long-term careers later in life,” he says.

The Stability of Genetic and Environmental Influences Over Time

Normally, we would think our genetic makeup doesn’t change that much over time, therefore genetic influences on job satisfaction are also supposed to be relatively stable.

However, in his recent research entitled “Are Genetic and Environmental Influences on Job Satisfaction Stable Over Time? A Three-Wave Longitudinal Twin Study” ^[5], the results show otherwise.

“Previous research has portrayed genetic influences on job satisfaction as relatively stable. However, there have been no longitudinal examinations of whether that is true, especially during early adulthood. In our recent study, we investigated whether genetic influences on job satisfaction are constant over time, especially in early adulthood,” says Prof. Li.



The Study and Findings

The study collected data from the Minnesota Twin and Family Study of 712 same-sex twin pairs (i.e., 1,424 individuals in total), including 463 identical and 249 fraternal twin pairs, with their educational attainment and career development assessed at approximately 21, 25, and 30 years of age.

The researchers looked into three individual differences: general mental ability (or general intelligence), positive affectivity and negative affectivity in mediating genetic influences on job satisfaction through early adulthood.

General mental ability refers to individual’s general cognitive abilities to learn, reason and solve problems. It has been regarded as a valid predictive for various achievement measures in psychology. Research has shown general mental ability facilitates job training effectiveness, overall job performance, and occupational achievement.

“People with high levels of general mental ability tend to learn quickly and easily obtain job knowledge and will outperform those with low general mental ability.”

Positive affectivity and negative affectivity are general tendencies to experience positive and negative affective states across time and situations. People with high positive affectivity are confident, active and energetic; they are likely to experience positive emotions, and may select or create positive situations at work, which in turn boosts their job satisfaction.

People with high negative affectivity, on the other hand, tend to dwell on their shortcomings and personal failures, thus experience negative emotions, and may foster negative circumstances at work, which in turn decrease their job satisfaction.

“People with high positive affectivity are sensitive to positive environmental cues and thus likely to perceive themselves and the world in a positive light, whereas those with high negative affectivity tend to view themselves and their environment through a negative lens,” says Prof. Li.

Genetic Influences Become Less Important Over Time

The study results show that as people accumulate more experiences when they develop into adulthood, genetic influences on individual characteristics become less important - but still significant - throughout early adulthood.

“We found that when participants were around 21 years old, genetic influences explained 31.2 percent of the variance in job satisfaction. However, genetic influences on job measured at age 25 and age 30 dropped significantly to 18.7 percent and 19.8 percent respectively,” he adds.

In other words, genetic influences are likely to be diluted by work situations over time.

“During early adulthood, employees’ job satisfaction levels may be more shaped by environmental factors such as organizational practices (e.g., leadership, performance management, and reward systems) and economic situations, and these external factors may become increasingly important over time,” says Prof. Li.

“The results also show that after partialling out genetic influences, environmental influences on job satisfaction were related to interpersonal conflict at work and occupational status, and these influences were relatively stable across the three time points,” he adds.

“ People are not randomly assigned to work environments; instead they select themselves into compatible work environments to garner the optimal level of person-environment fit. ”

- Prof. Li Wendong,
Department of Management, CUHK Business School

How to Enhance Employees’ Job Satisfaction

Since during early adulthood, employees’ job satisfaction levels may be shaped by environmental factors more, organizations could have more room to influence employees’ job satisfaction by introducing appropriate measures. Prof. Li suggests that firms should try to tailor their practices according to individual differences.

“Organizations should pay more attention to the importance of employees’ personality traits in customizing their practices, as it shows in our study that positive affectivity is important in boosting job satisfaction. This is similar to personalized medicine,” Prof. Li says.

In enhancing job satisfaction among employees, other environmental factors should also be considered.

“As our study shows that interpersonal conflicts significantly affected job satisfaction, maintaining harmonized interpersonal relationships at work will be a useful approach to keep your employees,” he says.

By Mabel Sieh, Managing Editor, China Business Knowledge@CUHK

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The Visible Hand in China's Economy

How Political Forces Shape Cost Behavior in Chinese Firms

*Gu Zhaoyang, Professor and Director, School of Accountancy
Wu Donghui, Associate Professor, School of Accountancy and
Associate Director, Center for Institutions and Governance*

In the past decade, China has been trying to establish a market economy through privatization of state-owned enterprises. However, the government still holds much power in its economy through political incentives



Since the economic reform in 1978, China has created an economic legend. In 2014, it surpassed the US in terms of economy output on the basis of purchasing power and became the world's largest economy. The past decade has seen the government's effort in establishing a market economy through privatization of state-owned enterprises (SOEs). However, after the "top-down" reform, the Chinese government still holds much power in the economy; in particular, self-interested politicians still impose substantial influences on SOEs' financing, investing, operating, and disclosure decisions. As such, the Chinese market is a transitional economy operating between political power (the "visible hand") and market force (the "invisible hand"). Yet, it is not clear how the "visible hand" affects firms' operating behaviors.

A recent study by Prof. Gu Zhaoyang and Prof. Wu Donghui from the School of Accountancy at Chinese University Hong Kong (CUHK) Business School, as well as their collaborator Prof. Tang Song in Shanghai University of Finance and Economics, has revealed for the first time how political power, that is, the "visible hand," intervenes in SOE's operating activities through studying a particular cost behavior known as "cost stickiness".

Cost Stickiness

As two important pillars of profit-driven corporations, sale revenues and operating costs should be parallel under normal operation, that is, operating costs should change proportionally along with sales change. This is the most basic rule found in any textbook of managerial accounting. However, a number of studies have found that a downward change of operating costs when sales decrease is much smaller than an upward change when sales increase by the same amount. It seems that firms' operating costs are more difficult to decrease than to increase. Such asymmetric phenomenon is given an intuitive label by researchers – "cost stickiness." There are different reasons to explain the "stickiness" in firms' operating cost.

In the working paper entitled "How Does the Visible Hand Shape Cost Behavior? Evidence from China", the researchers use this asymmetric cost behavior to illustrate how political incentives affect SOEs' employment decisions in China.

The Importance of Political Incentives in China

The issues on how political incentives affect the economic sector have been studied by many researchers in developed as well as developing countries. It is widely accepted that even in well-developed market economies, the influence of politicians cannot be ignored. This conclusive influence should get even more attention in China's transitional economy as the government still holds much power.

The story dates back to China's market-oriented reform. As one consequence of the reform, the Chinese government plays a dual role as the owner of SOEs and the administrator of social affairs. The dual role offers a shortcut for the government to accomplish its political and social goals by interrupting firms' operating decisions. So what kind of incentives motivates Chinese officials to intervene in the operation of SOEs?

The Cadre Evaluation System

In the study, the authors look into details of the cadre evaluation system within the Chinese Communist Party (CCP). To motivate cadres and local leaders with the incentive to comply with the central government, the CCP has implemented a meritocratic political selections system which includes evaluating politicians based on the following three tiers of performance targets:

- (1) "veto" targets: social stability and birth rates
- (2) "hard" targets: economic growth, investment and fiscal revenues
- (3) "soft" targets: education and health, cultural activities and pension coverage

Researchers find that local leaders who meet the "hard" targets such as GDP growth are more likely to be promoted while meeting "soft" targets have little influence in the assessment of overall performance. "Veto" targets will also determine officials' political careers - shortfalls to these targets will jeopardize the chances of promotion and may lead to demotions, administrative punishments, or even dismissal. Social stability, one of the "veto" targets, is therefore of great concern to local leaders.

“Layoffs and the resulting social unrest are significantly costly for political leaders' promotion prospects when the Beijing government has put a high priority on maintaining a harmonious and stable society.”

- Prof. Wu Donghui,
School of Accountancy, CUHK Business School

"One can imagine the implication of unemployment rates to the government, especially for local politicians," says Prof. Wu Donghui, CUHK Associate Professor of School of Accountancy, and Associate Director of Center for Institutions and Governance. "As a determinant of social stability, layoffs and the resulting social unrest are significantly costly for political leaders' promotion prospects especially when the Beijing government has put a high priority on maintaining a harmonious and stable society in recent years," he says.

As a result, politicians have strong incentives to distort firms' employment policy to stabilize their careers; in other words, they will require SOEs to keep more jobs and employees using their close ties and influence.

Political Incentives Affect Firms' Cost Behaviors

The study results reveal that SOEs exhibit higher stickiness in operating costs, particularly labor costs, than non-SOEs. On average, SOEs are more willing to increase employment than non-SOEs when sales are increasing; more importantly, SOEs are much less willing to cut down employment than non-SOEs when sales are decreasing.

"When sales go up, firms naturally expand their employment base to satisfy production demands, resulting in an increase in labor cost; however, when sales go down, politically sensitive firms are more reluctant to dismiss workers than firms in a purely economic environment, resulting in a disproportionately lower decline in labor costs. The difference in the degree of asymmetric labor cost behaviors between SOEs and non-SOEs can reflect distortion of labor decisions imposed by government," Prof. Wu explains.



As estimated by the researchers, labor expenditures of SOEs are about 29.3% more asymmetric than those of non-SOEs. Thus, with the objective to maintain social stability and avoid unemployment, state ownership changes firms' employment decisions and magnifies the cost stickiness in SOEs.

However, "the will of government is ultimately carried out by individuals," says Prof. Wu. "We also find that among SOEs, labor costs are much stickier if a firm is run by a manager who is appointed by the government."

This finding is another unique background in China's market as the government often appoints the board chair/CEO of listed SOEs. Unlike political connections built by personal donations or general social ties, the direct appointment relationship between the government and firms' top managers facilitates the implementation of government objectives.

The Role of Institutions in China

With a wide range of diverse institutions across regions, the effect of political incentives on the degree of labor cost stickiness is not uniform in China. The study finds that the positive relation between SOEs and labor cost stickiness is stronger in areas where institutions are less well-developed. In other words, in institutionally weak regions, government intervention in business is more pervasive, and government shareholders have a greater influence on firms' operations.

"The cross-sectional variation adds confidence to our reference on the causal link between political incentives and cost stickiness," says Prof. Wu.

"It helps rule out some alternative conjectures. For example, top managers with a governmental background might be inferior to others in terms of business knowledge or administrative skills; alternatively, managers with and without political connections may differ in their political or ideological attitudes toward labor. All of these possibilities can also explain the differences in labor cost stickiness between SOEs and non-SOEs. However, with cross-variation analysis, we can at least be partially sheltered from contamination of competing explanations," he adds.

Implications

The study is the first to look at how political forces shape the cost behavior of Chinese firms, and therefore contributes to the understanding of privatization issues in China.

"Our work lends support to the theory that partial privatization in China cannot completely remedy the government pathologies. The employment decision is one channel that leaves room to intervention by the 'visible hand' of government," says Prof. Gu Zhaoyang, co-author of the study and Director of School of Accountancy at CUHK Business School.

After the dramatic economic growth orchestrated by the Chinese government in the last three decades, the downside of government-oriented growth begins to draw attention. In recent years, the Chinese government has recognized the problem of economic-growth-based performance evaluation system and is changing to a more balance-scorecard-type performance evaluation of local government officials. While this change plays down the over emphasis on GDP in the performance evaluation, social stability, such as employment rate, is becoming a more important factor in the evaluation of bureaucrats.

"It seems that the effects of political forces on state firms' labor employment decision are likely to persist in the future," says Prof. Gu.

By An Ran, PhD Candidate, School of Accountancy, CUHK Business School

CUHK Business School Students Bring Home the Championship of the KPMG International Case Competition 2017



A student team from the Chinese University of Hong Kong (CUHK) Business School participated in the KPMG International Case Competition (KICC) 2017 on 10-13 April, 2017 in Lisbon, Portugal. They bested 22 other finalist teams across the globe to claim the championship title.

Earlier in March, the team won the regional championship at the 2017 “KPMG National Business Case Competition” held in Xiamen, China. It is the third consecutive year that CUHK Business School’s team has won the regional final. The winning team is formed by four business undergraduate students: Harry Cheng Hong-cheuk (Professional Accountancy [Global Accounting Stream], Year 3), Kayee Lam Wai-yee (Integrated BBA, Year 3), Marco Po Ho-sang (Global Business Studies, Year 2) and Ho Ching-him (Asian Business Studies, Year 4).

Representing the Greater China region, the team headed to Portugal to compete with finalists from 22 countries at the international competition in April. The competition was themed “Innovate. Disrupt. Transform” this year. During the four-day event, each team was given a detailed case study to consider in each stage. They had three hours to review the given dossier, identify and analyze key business issues, develop a compelling set of recommendations, and prepare an engaging presentation for a panel of experienced partners and leaders from KPMG firms.

As commented by John Veihmeyer, Chairman, KPMG International, “The quality of the presentations was extraordinary. These students are the business leaders of the future, and they demonstrated it with the impressive level of insight and problem solving in presenting their ideas.”



KICC drew over 18,000 student applications from 480 universities, with 6,784 students across 23 countries participating in the competition rounds leading up to the finals. By participating in KICC, our students brought home not only the championship, but also new business insights together with valuable international experience, memories of Lisbon and new friendships.

By Summie Wan, Marketing and Communications Executive, CUHK Business School

A Tale of Two Cities: Global Entrepreneurship Monitor 2016

Kevin Au, Associate Director, Center for Entrepreneurship and Associate Professor, Department of Management

How Hong Kong and Shenzhen can leverage each other's strengths to advance the development of entrepreneurship



In recent years, Hong Kong and Shenzhen have experienced an explosive growth in the start-up support ecosystem. The start-up rates recorded a staggering increase in Hong Kong and Shenzhen from 2009 to 2016, according to a research report written by Prof. Kevin Au at the Chinese University of Hong Kong (CUHK) Business School's Center for Entrepreneurship (CfE) and his collaborator, Dr. Marta K. Dowejko, former post-doctoral fellow at the CfE and now Research Assistant Professor of the Department of Management at Hong Kong Baptist University's School of Business.

"The last time we measured the intensity of start-up activities in Hong Kong and Shenzhen was in 2009. Since then, both cities have experienced a tremendous growth in their entrepreneurship support ecosystems," said Prof. Kevin Au, Associate Director of CfE and Associate Professor at the Department of Management of CUHK Business School, who led the study with his partners in other research institutes.

The study is part of the global initiative, Global Entrepreneurship Monitor (GEM), which is the world's foremost comparative study of entrepreneurship and a trusted resource on entrepreneurship for key international organizations such as the United Nations, World Economic Forum, and World Bank.

With the aim to provide a detailed analysis of the current status of entrepreneurship in Hong Kong and Shenzhen, the team interviewed over 4,000 individual entrepreneurs and nearly 80 experts on entrepreneurship in Hong Kong and Shenzhen from April 2016 to November 2016.

Entrepreneurial Prevalence Rates

According to the study, in mid-2016, the early-stage entrepreneurial activity among the adult population (i.e., 18 to 64 years of age) was estimated at 9.44 percent (as compared to 3.64 percent in 2009) in Hong Kong and 16.04 percent (as compared to 4.8 percent in 2009) in Shenzhen.

The positive change was seen not only in early entrepreneurship rates but also in a major shift in attitudes and entrepreneurial intentions. Comparing to 2009, the population with entrepreneurial intentions in Hong Kong grew from 7.3 percent to 19.7 percent in 2016, representing an impressive increase of more than 170 percent. Similarly, in Shenzhen the intentions to start a business grew from 17.6 percent to 36 percent, an increase of more than 105 percent.

According to the researchers, cultural conditioning and attitudes towards entrepreneurship, perception of own skills, and exposure to entrepreneurship practices all had a positive impact on intentions

to start businesses. In addition, successful entrepreneurs are also regaining their high status and are promoted by local media in both Shenzhen and Hong Kong.

"It is worth noting that while entrepreneurship rates are on the rise in Hong Kong and Shenzhen, they are declining in other places in China. The two cities have developed a regional start-up culture and entrepreneurial ecosystem that operate quite differently from the rest of mainland China," Prof. Au pointed out.

Industry Sector and Market Impact

In terms of industry sectors, although with a decreasing share in the economy, consumer-oriented services (e.g., restaurants, retail stores, rentals, repairs, etc.) still represent the largest industrial sector of interest for early-stage and established firms from Hong Kong and Shenzhen. Business-oriented businesses are on the rise, though with a lower share when compared to other innovation-driven economies. Overall, both cities are undergoing a positive industrial makeover, aligned with the structural composition of other innovation-driven industries.

In Shenzhen, early-stage entrepreneurs recorded the highest proportion of ventures active in technology sectors than in any other economy in the study. As much as 17.2 percent reported their businesses being high to moderately advanced in technology terms, and seven times higher than in 2009. Similar pattern was recorded for established ventures in Shenzhen – the city became the leader of efficiency-driven economies in the share of activity in technology sectors with 15 percent of established business owners reporting such capacity. This was sufficient to increase the overall profound market impact of Shenzhen-based ventures, whereas in Hong Kong, the share of early-stage entrepreneurs active in technology sectors almost quadrupled in Hong Kong as comparing to 2009, but entrepreneurs reduced their overall assessment of their market impact.

According to the study, firms with profound market impact are still rare in Hong Kong and their proportion has slightly decreased since 2009. More low-impact businesses were founded, providing some product or market innovation combined with innovative technologies.

In general, a business is considered having high impact when it delivers a profound market expansion; its products or services are novel to customers; or when it has little or no competitors.

However, in Shenzhen, the share of high-impact businesses is on the rise with firm owners reporting the use of newer technologies more than those of Hong Kong firms. On the other hand, Hong Kong early-stage firm owners declare providing better product or market innovation combinations than their Shenzhen counterparts. "Hong Kong is oriented toward new products and new market combination, whereas Shenzhen has the highest proportions of start-up activities in the high technology sectors," added Dr. Dowejko.

Internationalization

Hong Kong economy has always been internationally oriented and it is no surprise that the city ranked highest in the cross-country comparison in terms of its percentage of businesses with more than 50 percent of revenue generated outside of the domestic market. Within the economy of 2016, 29 percent of Hong Kong's early-stage businesses generated more than 50 percent of their revenue abroad, as compared to 10 percent in Shenzhen which focused more on their local market with the development of the Chinese economy.

"This is closely related to the size of domestic markets for both cities. Hong Kong will continue as the go-to city for international markets," said Prof. Au.

Areas of Cooperation

As such, Prof. Au believes that there are a lot of potential for Hong Kong and Shenzhen to cooperate.

"The two cities don't really compete with each other for customers, but have very high complementary skill assets for reaching out to global customers around the world," he said.

Based on the report, he recommended three areas in which the two cities could collaborate to increase their international competitiveness:

Leverage the natural industry compatibilities between Hong Kong and Shenzhen and build cross-border industry associations. For instance, jointly develop industries such as Internet-of-Things, Smart City, Fintech and E-commerce.

Develop a shared cultural understanding of each other. For example, establish joint or cross-border education, whereby the two cities could invest in opening more world-class academic institutions catering to students around the world.

Coordinate government policies for entrepreneurship between the two cities. For example, introduce joint visas for entrepreneurs that would facilitate cross-border operations of start-ups.

"Shenzhen's start-ups are well geared to deliver innovative ideas with high growth potential, and Hong Kong's entrepreneurs possess the know-how in taking ideas to the next level and ensuring their long-term sustainability," remarked Dr. Dowejko, "So the two cities are in the perfect position to build a highly unique and internationally competitive start-up hub with unparalleled ecosystem compatibility."

"If Hong Kong and Shenzhen join forces in the formation of complementary advantages on entrepreneurship, it would strengthen the international and mainland competitiveness for both. This can be the first step towards the development of the Hong Kong-Shenzhen megalopolis. Few cities or regions in the world can match us," concluded Prof. Au.

By Fang Ying, Senior Writer, China Business Knowledge@CUHK

China's Pearl River Delta Development: A Game Changer for Hong Kong

Fang Zhou, Research Director, One Country Two Systems Research Institute

Hong Kong should take the initiative to explore the opportunity to cooperate with other Greater Pearl River Delta cities in China, Dr. Fang Zhou from OCTSRI suggests



Hong Kong government has to think out of the box and take initiative to lead Hong Kong to break the bottle neck in economy development, according to Dr. Fang Zhou, Research Director of One Country Two Systems Research Institute (OCTSRI), a non-government public policy think tank in Hong Kong, at a seminar organized by Lau Chor Tak Institute of Global Economics and Finance at the Chinese University of Hong Kong in November 2016.

In the seminar, Dr. Fang shared with the audience his insights into the development of Pearl River Delta region and the implications to Hong Kong, and how the city can be taken to the next level.

According to Dr. Fang, China's 13th Five-Year Plan outlined several regions as the country's major regional development engines, such as Beijing-Tianjin-Hebei region, Yangtze River Delta region and also One Belt One Road. But Greater Pearl River Delta, China's long-time economic development engine in the past 20 years, is not included in this blueprint of China's economy development for the following five to ten years. Greater Pearl River Delta consists of Hong Kong Special Administrative Region, Macao Special Administrative Region, and the Pearl River Delta region of Guangdong Province.

Therefore some leaders in the region have warned that the Pearl River Delta is becoming less important to China's economy and may even lose its power in China's economic development.

“Such sense of crisis is not unfounded,” said Dr. Fang, citing Hong Kong’s GDP share of China’s GDP as an example. “In 1995, Hong Kong’s GDP was about 25% of China’s GDP, but in 2015, its GDP has shrunk to 2.7% of that of China.”

As the most dynamic region in China, Greater Pearl River Delta region, particularly Hong Kong, has long served as the bridge between China and the world, conveying trade and investment flows both ways. “But that role has diminished in recent years as China has opened its borders and plugged itself directly into the global economy,” said Dr. Fang. “Obviously, Greater Pearl River Delta region, including Hong Kong, is less important now than in the past.”

To stay ahead of the game, Guangdong province has implemented a series of reforms, such as upgrading its economic industrial structure and enhancing urban infrastructures, aiming to maintain its economic status in China.

For example, Guangdong province used to be the world’s factory, but facing rising labor costs and intense global competition, it is upgrading its economy from a labor-intensive and high-energy consumption manufacturing industry to high-tech industries, such as telecommunications, biomedicine and new energy industries. Meanwhile, an intercity rail transport network featuring three circular and eight outbound routes will be built by 2020. The network will connect all Pearl River Delta cities and create a “one-hour intercity circle”.

According to Dr. Fang, Guangdong province is also forging closer cooperation with Hong Kong and Macao through policies such as developing Lok Ma Chau Loop into a higher education area with supplementary R&D facilities and connecting Hong Kong and Macao via infrastructure constructions, including the Hong Kong-Zhuhai-Macao Bridge, and the Hong Kong-Shenzhen Western Express Line between the airports of Hong Kong and Shenzhen.

As the transportation between Hong Kong and Pearl River Delta region is getting more convenient, Hong Kong will be expecting more visitors from mainland China. In light of this, Dr. Fang suggested that Hong Kong should be prepared to respond to these changes and challenges by adjusting its urban planning effectively.

He went on to share that in the past decades, Hong Kong’s urban development direction was mainly towards the south of Kowloon, but now as the connection between Hong Kong and mainland China is getting closer, the urbanization need in the north of Kowloon is imperative as well. So for example, he suggested that Hong Kong government can build more shopping centers in New Territories near the border of Shenzhen to cater for shoppers and tourists from the mainland, leading them to explore the north of Kowloon and helping to ease the over-crowdedness on Hong Kong Island.

According to the statistics of the Hong Kong Census and Statistics Department, due to the rising number of mainland visitors to Hong Kong, the gross proceeds of the retail industry had grown by 1.3

“If Hong Kong government can take the initiative to seize the opportunity to cooperate with other major Pearl River Delta cities, Hong Kong’s role as a super connector will be more vital and special.”

- Dr. Fang Zhou,
Research Director, One Country Two Systems Research Institute

times between 2002 and 2011; however, the retail floor space had increased only by 30% during the same period, leading to the rise of rents and commodity prices.

“Obviously, retail is one the major economic activities of Hong Kong and the demand far exceeds the supply. However, the government didn’t take sufficient measures to address the problem in the past decade. This has not only caused a lot of missed business opportunities for Hong Kong, but has also led to the discontent among Hong Kong people towards mainlanders,” said Dr. Fang.

Another example is the coordination among the airport authorities of Hong Kong, Shenzhen, Guangzhou, Zhuhai and Macao. According to Dr. Fang, Guangzhou Baiyun Airport, Shenzhen Airport, Hong Kong International Airport, Zhuhai Airport and Macao Airport have all started their constructions of new runways or terminals to enlarge air traffic capacities. Most of the constructions will be finished by mid 2020s. By then, the air traffic among these airports will be more congested and the competition among them will also be fiercer. Hence, to fully utilize the capacities of these airports and meet the growing demand of air traffic services, Dr. Fang suggested that coordination and cooperation is the key.

He further pointed out that the runways in Shenzhen Airport and Macao Airport are vertical from north to south, whereas those of Hong Kong International Airport are horizontal from west to east, which would lead to more congested air traffic and unhealthy competitions in the region. So it is necessary for the airport authorities in these cities to coordinate with each other in advance in order to ensure the efficiency of air space and maintain a healthy competition.

“Airports in Hong Kong, Shenzhen and Macao are all close to each other geographically,” Dr. Fang said. “If we had planned and better coordinated when the airports were under construction in 1990s, we would’ve made better use of our resources in air traffic.”

“If Hong Kong government can take the initiative to seize the opportunity to cooperate with other major Pearl River Delta cities now and in the future, Hong Kong’s role as a super connector in the region will be more vital and special, which undoubtedly will also enhance the city’s competitive strength and bring Hong Kong to the next level,” Dr. Fang concluded.

By Fang Ying, Senior Writer, China Business Knowledge@CUHK

Mastering the Art of Holding Fast and Letting Go

Josie Tam Wai-ye, MSc in Information and Technology 2011



Josie Tam Wai-ye (MSc in Information and Technology Management 2011) is a woman who stands 3 ft. 11 tall. With her knowledge of information technology and after a chance encounter, she became the co-founder of Techpacker, a cloud-based fashion tech pack platform for designers to facilitate better communication and cooperation with manufacturers. One of her admirers is Alibaba Executive Chairman Mr. Jack Ma. Josie believes that life is a series of tests in holding fast and letting go, where one gains from making sacrifices and finds one's self value by adapting to surroundings. The sky is her limit, not her height.

I Didn't Choose Fashion — Fashion Chose Me

Born in a working class family, Josie rose to hold several IT positions in the fashion industry. She has more than 10 years' experience in enterprise resource planning and business process improvement, with expertise in supply chain management.

Josie always says: "I didn't choose to go into fashion. Fashion chose me." She entered the industry by chance and at some point considered quitting because of the fear of being pigeonholed in this small industry. Fortunately, an industry veteran enlightened her by explaining: "Name one person on Earth who doesn't need to shop for clothes? The fashion industry will never die out." It made

Josie realize that as soon as she set her eyes on the world, she could see that globalization had become a huge part of the fashion industry. Proper management of mega supply chains was needed, which could immensely benefit from software — the part where her IT expertise came in handy.

Turning a Tech Pack into a Business Plan

Josie and her two business partners had years of experience in the fashion industry. The same age-old phenomenon caught their eye: The boom of the Internet should have made finding the right garment manufacturers much easier for designers. But why do problems always arise?

In order to produce a product sample, a designer needs to prepare a “tech pack”, which lists out specific requirements including materials, cutting, stitching methods and so on for a manufacturer. Communications are carried out via email if any clarification is needed. However, many designers put creativity as first priority and overlook details. Without the details, manufacturers have a hard time meeting the standards. Miscommunication is the culprit.

Josie and her partners saw through the root cause of the issue and developed Techpacker, the cloud-based platform to generate fashion tech packs. It offers simple templates to designers and helps them prepare tech packs that describe their requirements to manufacturers in clear terms. The two parties can also communicate simultaneously online anytime to speed up the production process.

Techpacker’s creative proposal has received cash subsidies and tech support from many incubation funds and schemes. Since its launch in 2015, the market response has been overwhelming beyond expectation. It now has more than 8,000 users, with a strong user base in freelance fashion designers based in the United States. The company launched a paid plan in May, and it is expected to break even within a year.

A Master’s Education That Sows Seeds of Entrepreneurship

In retrospect, Josie realised that a desire to build her own company was instilled in her heart during her master’s studies at CUHK Business School from 2009 to 2011. She initially enrolled in the Information and Technology Management Program because she wanted to learn more about IT and equip herself with management skills to increase the commercial values of IT projects. “When I actually went ahead to start my own business a few years later, I dug up my old notes and found that they were really practical and useful!”

Josie is grateful for the tremendous help she received from two CUHK insiders when Techpacker was still an unknown newcomer in the business. One of them is her supervisor Prof. Jeff Yeung, who has given her valuable suggestions and guidance on looking for funding sources. Another is former Project Director of the Center for Entrepreneurship Mr. Mingles Tsoi, who has been actively spreading good words about Techpacker. He also recommended Josie to attend the “An Evening with Jack Ma” forum last year, where Mr. Ma expressed his admiration for Techpacker’s business model.

Looking forward, Josie hopes to expand Techpacker into a one-stop fashion manufacturing platform. By digitalizing the whole design, development and manufacture process, designs can be transformed into products at much lower cost in much shorter time.

The Art of Holding Fast and Letting Go Enriches One’s Life

Due to a congenital gene mutation, Josie is barely 4 ft. tall. Watching her classmates grow taller every year was saddening to her as a child, and being rejected by the volleyball team was a bitter blow. However, as she grows older, she becomes more immune to the way people look at her. She understands that letting go is part of life and every gain comes with a loss. “It’s true that being small is inconvenient in some ways, but it has its bright side. Once I went to Ireland to promote my business, the audience stopped chatting and turned their eyes to me as soon as I took the stage,” she says. One’s perspective determines whether the glass is half-full or half-empty. Josie now hopes she can have the fluidity of water to stay true to herself and maximise her potential while adapting to her surroundings.

Life is about knowing when to hold fast and when to let go, so is entrepreneurship. “Initially I did go through some internal struggles: Should I keep working for someone else for a stable income, or should I follow my dream even though I may fail?” These days Josie revels in the joy and challenges that come with being an entrepreneur. She thinks meeting senior management of other companies helps her become braver and stronger. She advises aspiring entrepreneurs to contemplate on their potential gains and losses. “Many people dream of the freedom that comes with being an entrepreneur, but business owners need to have even more self-discipline and work even longer hours.”

Life is an accumulation of every decision to hold fast or let go.

This story was first published by the Alumni and Corporate Affairs Office at CUHK Business School.

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