

Hong Kong-owned manufacturers in Guangdong must innovate or face failure in a challenging environment, writes Naubahar Sharif

Age of change

Hong Kong-owned manufacturers in Guangdong are struggling in a challenging business environment caused by the global recession and recent policy changes on the mainland. Many Hong Kong firms are striving to avoid shutting down their operations in Guangdong or relocating them elsewhere in China. There is hope, however, for firms that enter new markets or collaborate with mainland partners in innovation, and research and development.

Many of Hong Kong's entrepreneurs have expertly operated as traders in Hong Kong and as manufacturers in nearby Guangdong, with its abundant land and cheap labour, importing low-cost goods from the province and re-exporting them abroad – demonstrating how to be Chinese and modern at the same time.

Hong Kong's proximity to Guangdong is a cultural and geographical advantage, reinforced by government policies during the post-1979 reform era. Guangdong has

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by far been the preferred investment destination for Hong Kong.

Now these entrepreneurs must adjust to dramatic change in Guangdong's manufacturing environment, in part because of the recession but also because of recently implemented policies that have raised the cost of imported raw materials, eliminated or reduced tax rebates for low-end export goods, and raised costs with new employee benefits and amenities. These regulatory developments and eco-friendly trends in global markets have eliminated most of the cost advantages of operating in Guangdong, while cancelling out advantages in expertise.

A stranger yuan has also handicapped export businesses, resulting in an extremely challenging environment within which to do business if you are running manufacturing operations in Guangdong from your base in Hong Kong.

Many of these firms face the prospect of failure unless they adopt forward-looking

strategies that produce more globally attractive goods and services. The potential repercussions of a major collapse of these regional economic sectors or a widespread shift in the manufacturing base would probably be very difficult to manage. Even though the cost of doing business in China's hinterland provinces is lower than it is now in Guangdong, relocation may be prohibitively expensive for some firms, and it would eliminate the competitive edge of cultural familiarity that Hong Kong-owned manufacturers enjoy in Guangdong.

Relocation is a long-standing survival tactic that often depends on two sets of factors: the so-called "pull" and "push" factors. That is, does a firm move because another location offers strong advantages (thereby pulling the firm to the new location) or because its current location challenges it with strong disadvantages (thereby pushing it out of its old location)?

Historically, Hong Kong-owned manufacturing firms have been pulled into Guangdong by cost and cultural advantages as well as favourable policies targeting Guangdong for development. The problem is, in today's China, key factors that pulled businesses into Guangdong from Hong Kong have evaporated, while factors that threaten to push them out are now saturating the landscape. Economists and analysts have long recognised the advantage of innovation. Unfortunately, few Hong Kong firms that have moved their manufacturing operations into Guangdong have bothered to innovate, preferring to exploit the cost advantages of operating in traditional industries in traditional ways.

A colleague and I recently conducted a study of this situation, and concluded that firms that emphasise the development and marketing of new products or engage in collaborative innovation or R&D activities with partners on the mainland were more likely than innovation laggards to maintain their operations in Guangdong.

How can Hong Kong encourage innovation among these firms? First, by emphasising policies strengthening links between research institutions, universities and industry. Ramping up support for innovation would not represent a radical policy shift, and increasing innovation would not only increase the rate of survival among these firms, it would also help them create more valuable – and profitable – products and services. Hong Kong needs to build or strengthen innovation-promoting

institutions while also creating new links among them.

The economic forces of innovation cannot be truly unleashed without a strong innovation system, and creating such a system depends crucially on forming and maintaining active links among key players. More broadly, policymakers in Hong Kong and Guangdong should work together to strengthen the regional innovation system to harness their combined innovation resources and more thoroughly integrate the region's innovation resources.

As the pioneering economist Joseph Schumpeter observed, capitalism thrives on creative destruction. And I would argue

that the destruction of a business model whose impending obsolescence in a hi-tech world might doom it anyway creates opportunity.

If Hong Kong and Guangdong can jump on an innovation bandwagon, they could generate intellectual capital, improve production skills, streamline customer service processes, and accumulate unique proprietary assets that will drive growth for the foreseeable future and position them for success when the world emerges from the recession.

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Eve Chen

A class of equals

Are Hong Kong's youngest students receiving the best possible preparation for the future? Research on gender and learning reveals that discrimination begins early. Yet, relatively little has been done to address gender inequality in our schools. In 2001, the High Court ruled in a landmark case that the government's gender quotas in co-educational secondary schools were unlawful according to the Sex Discrimination Ordinance. A decade later, we are still struggling to eradicate the pernicious effects of sexism in the classroom.

Gender stereotypes continue to manifest themselves in more subtle but no less harmful ways.

In research conducted in several Chinese-language kindergartens here, we observed interactions between teachers and pupils, and among the four-year-old children themselves. The good news is that we saw plenty of positive interaction between teachers and children, which bodes well for engaged learning.

However, we did not expect to find such significant differences in teachers' behaviour towards boys and girls. Teachers interacted almost twice as much with boys than they did with girls, although more of the teacher interactions with girls were positive. Boys, in contrast, experienced more negative interactions since they tended to act up or challenge the teacher more frequently than girls. The girls' more compliant behaviour may have led to them receiving less attention from the teacher.

These findings underscore the importance of thinking creatively and critically about pedagogy that engages "restless learners" of both genders and that rewards thoughtful, respectful participation rather than just compliance.

Moreover, teachers are still too reliant on gender labels – using the terms "boys" and "girls" almost 60 times within a three-hour session. A playful context of competition was often used to motivate the children to segregate themselves by gender quickly. While gender segregation is appropriate during toilet time, should it have occurred in other teaching and learning activities like music or computer sessions?

In all fairness, the children received similar instructions and used the same equipment and teaching materials in their gender-segregated groups. However, such routines may establish early patterns of segregation that are artificial in daily life where boys and girls must learn to work together.

Teachers may also unwittingly perpetuate harmful gender stereotyping, in the name of preserving traditional cultural mores, by granting privileges to boys. Research shows that children may internalise unfair practices such as the "boys first rule". This is harmful to all. Not only are girls unjustly treated, boys may develop a sense of entitlement

that jeopardises their ability to become team players in society. Favoritism erodes civility in civil society.

Hong Kong must address this issue, for the sake of our teachers and students. Teachers deserve best-practice training and support in creating an environment of gender equality in the classroom. Moreover, gender education should be included in the curriculum for students, beginning in the kindergarten years. Kindergarten teachers should be aware that certain types of behaviour reinforcement unfairly privileges boys – often to their long-term detriment – while perpetuating undesirable gender stereotypes and inequity for both girls and boys.

Teachers should avoid segregating boys from girls in kindergartens for the purpose of convenience, desist from micromanaging the classroom behaviour of boys, and be aware of the gender values and stereotypes they uphold.

Small but significant changes in the education policy will allow us to reverse the grave repercussions that gender stereotypes have wrought on our society. Gender inequality during the early years burdens us all.

Eve Chen received a PhD in Education from the University of Hong Kong under the advisement of Professor Nirmala Rao. This article is part of a monthly series on women and gender issues developed in collaboration with The Women's Foundation

Voices: Hong Kong

Issue of trust will decide who wins leadership race

Lau Nai-keung

While the present government stumbles along, public attention is gradually shifting to who might be the candidates for the next chief executive election, and who will win. Rumours are circulating that the answer will be found in the meetings of the National People's Congress and the Chinese People's Political Consultative Conference that start this week.

Both Chief Secretary Henry Tang Ying-yen and Executive Council convener Leung Chun-ying are the hotly-tipped candidates in the establishment camp. Other possible candidates, such as Rita Fan Hsu Lai-tai, a former president of the Legislative Council and now a member of the NPC Standing Committee, and Regina Ip Lau Suk-ye, a former secretary for security and current legislator, are regarded as dark horses.

There is more uncertainty about possible candidates from the dissident camp – the choice is quite limited. Legislators Alan Leong Kah-kit, chairman of the Civic Party, and Democrats chairman Albert Ho Chun-yan are high on the list.

In typical Chinese tradition, even the possible candidates themselves will not declare their intentions until the very last moment, fearing that doing so too early will attract attacks from the opposing camp, and they will be "dead" even before the race starts. And I do not think the central government will reveal its preference at this early stage – if it ever does.

If Beijing were to reveal, early on, its preference, that would have the

effect of killing the candidacy and thus would be counterproductive. On top of that, it would be accused of meddling in the internal politics of the special administrative region, which the central government has been trying its utmost to avoid. It has constantly consulted opinion leaders and monitored public opinion on the subject, but not uttered a word so far. It will probably carry on keeping its mouth shut until election day in 2012, keeping its

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options open and everybody guessing.

As for the possible candidates, they will openly declare their candidacy only after the formation of the 1,200-member election committee some time in December. Before that, there will be a few people declaring that they will drop out, to clear the path to battle for others. Such seeming inversion of events – dropping out even before one has officially entered the race – is perfectly logical in the local political context.

There will most likely be only two candidates for the race, one from the establishment camp and one from the dissidents because neither side wants to spread its votes among more than one candidate from the

same camp. To the public, this will make the final face-off more dramatic, the debate more focused and the choice simpler.

In the end, the candidate from the establishment camp will almost certainly win. The most obvious reason is that the establishment camp can swing more votes in the election committee – or, as the dissidents have been claiming ever since the handover, because the chief executive is picked and appointed by Beijing.

Another reason, equally obvious, is that the voters do not believe the dissident camp has the capability to govern Hong Kong. The most crucial element in this consideration is that it does not have the trust, and consequently the necessary blessing, of Beijing. This is where the central government comes into the picture in the final outcome of the chief executive race.

Looking at the situation this way, in the final analysis there are, and will be, only two real candidates – Henry Tang and Leung Chun-ying. Polls so far indicate that Tang is way ahead, but it is much too early to place a bet.

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Voices: Economy

Stripping the earth to feed our greed

Jeffrey Sachs

India's great moral leader Mohandas Gandhi famously said that there is enough on earth for everybody's need, but not enough for everybody's greed. Today, Gandhi's insight is being put to the test as never before.

The world is hitting global limits in its use of resources. We are feeling the shocks each day in catastrophic floods, droughts and storms – and in the resulting surge in prices in the marketplace. Our fate now depends on whether we co-operate or fall victim to self-defeating greed.

The limits to the global economy are new, resulting from the unprecedented size of the world's population and the unprecedented spread of growth to nearly the entire world. The developing countries are growing at around 7 per cent a year, and the developed economies at around 2 per cent, yielding a global average of around 4.5 per cent.

This is very good news in many ways. Rapid growth in developing countries is helping to alleviate poverty. Yet there is another side to the global growth story that we must understand clearly. With the world economy growing at 4-5 per cent a year, it will be on a path to double in size in less than 20 years.

Our planet will not physically support this exponential economic growth if we let greed take the upper hand. Even today, the weight of the world economy is already crushing nature, rapidly depleting fossil-fuel energy resources, while the resulting climate change has led to massive instabilities in terms of rainfall, temperature and extreme storms.

We see these pressures every day in the marketplace. Oil prices have surged to more than US\$100 per

barrel. Food prices, too, are at historical highs.

Heat waves, droughts, floods and other disasters induced by climate change are destroying crops and reducing the supplies of grains on world markets. And, in many populous parts of the world, farmers are tapping into groundwater to irrigate their crops. The great aquifers that supply water for irrigation are being depleted.

A calamity is inevitable unless we change. And here is where Gandhi comes in. If our societies are run according to the greed principle, the resource crisis will lead to a growing divide between the rich and the poor – and possibly to an increasingly violent struggle for survival. Everywhere in the leading countries – the US, Britain, China, India and elsewhere – the rich have enjoyed soaring incomes and growing political power. The same trends threaten the emerging economies, where wealth and corruption are on the rise.

If greed dominates, the engine of economic growth will deplete our resources, push the poor aside and drive us into a deep social, political and economic crisis. The alternative is a path of political and social co-operation. There will be enough resources to go around if we convert our economies to renewable energy sources, sustainable agricultural practices, and reasonable taxation of the rich. This is the path to shared prosperity through improved technologies, political fairness and ethical awareness.

Jeffrey D. Sachs is professor of economics and director of the Earth Institute at Columbia University. Copyright: Project Syndicate

Voices: Education

Real-life lessons can save MBA from scrapheap

Martha Maznevski

The world is more complex today than ever. Is the MBA still a good way to prepare business leaders in this new world?

Much has been said about the role of greed in creating the financial crisis. Indeed, many managers were motivated to get the most for themselves in the short term. But most managers were simply unprepared to anticipate the impact of their decisions in a more complex world. Often overlooked, the economic downturn of the past couple of years was also a crisis of naivety. Whether MBA programmes can teach ethics and responsibility is already in doubt. What about complexity as well?

Businesses today face enormous levels of interdependence and variety. Flows of financial capital and goods move relatively freely – what happens in one place increasingly affects other locations. Housing prices in the US influence interest rates in Europe and China's growth affects commodities worldwide. Variety is consistently created by technological advances and workforces are more diverse and multifunctional than ever. The combination of interdependence and variety is constantly in flux, so even if you understand and optimise today, the best actions tomorrow might be different.

Recent findings on leadership development are discouraging for typical MBA programmes. Building knowledge that "sticks" for effective performance on the job is much more important than academic learning. And for executive development, companies are moving back to the old notions of apprenticeship and mentorship.

Sitting in a classroom is useful only when it prepares learners for action. From day one, MBA programmes should incorporate real-life experiences, such as real-impact projects with companies, rather than having them as standalone courses (or worse, electives). The curriculum should include many such experiences, structured to cover a spectrum of company sizes, stages, industries and economic and cultural contexts. Learners should be taught to compare and contrast different experiences, enabling them to develop the ability to read situations and draw from a repertoire of responses. A real MBA should present guided, on-the-job leadership training.

Incidentally, these principles are important not just for developing the ability to manage complexity, but also to address ethics and responsibility. We learn to lead others effectively by working through difficult processes with people who are different from us. In fact, by using experiential learning to address leadership responsibly, we develop leaders with the ability to make wise choices and implement them successfully.

If the MBA is not to become obsolete, it must be structured to match the needs of the new complex business environment. We must embrace the same level of complexity within our schools as we see in the environment, and we must learn to open ourselves up as cases and examples. Developing leaders who make a positive difference to our future is at stake. Isn't it worth it?

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