



Key change

Spotlight on Hong Kong



Introduction

As a major hub for trade and commerce in the heart of Asia, Hong Kong has long been a hotbed of innovation. The city's strong free-market economy supports a thriving business environment with a rich digital ecosystem.

Hong Kong's digital landscape is supported by an extensive telecommunications infrastructure. This includes one of the world's most advanced broadband networks, which enables average internet speeds of 179.58Mbps¹ and a household broadband penetration rate of 98.7%.² With access to a pool of diverse talent, as well as government investment and incentive programmes,³ the city now has one of the highest concentrations of tech start-ups in the world.⁴

So how are Hong Kong firms approaching digital in today's operating environment? New research by DBS, which surveyed 100 senior executives in the city, sheds light on the digital ambitions, successes and persistent concerns of Hong Kong's business leaders.

¹ <https://datareportal.com/reports/digital-2022-october-global-statshot>

² <https://www.cedb.gov.hk/en/sectors/telecommunications.html>

³ <https://www.itf.gov.hk/en/home/index.html>

⁴ <https://www.hkcompanyregistration.com/blog/digitalisation-of-businesses-in-hong-kong/>



Priorities for transformation

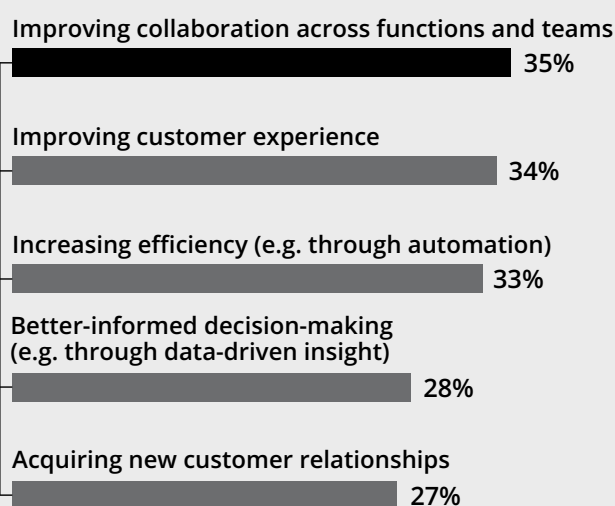
Hong Kong's economy rests on four industries – finance, tourism, professional services and trade and logistics – all of which benefit from the city's deep technology and digital literacy penetration.

Recent events have created further energy around digital technology. "Covid-19 accelerated the drive for digitalisation, and particularly for SMEs, which account for 98% of businesses in Hong Kong," explains Boris Chan, Head of Global Transaction Services, DBS Bank (Hong Kong) Limited. "Although many SMEs have been able to adapt to and thrive in a rapidly changing business environment, many are struggling to transform at speed."

Indeed, the results of DBS's research suggest that many companies now feel a need to strengthen and refine their digital processes.

Improving internal collaboration and customer experience are the most important goals of digital transformation for Hong Kong businesses, cited by 35% and 34% of respondents, respectively. The ability to take decisions quickly is seen as the most important cultural attribute of a successful digital transformation, with businesses prioritising flexibility in response to the unprecedented conditions imposed on them by the pandemic.

Goals: Collaboration across functions is the top objective for transformation



Corporate culture: The ability to take decisions quickly supports digital success



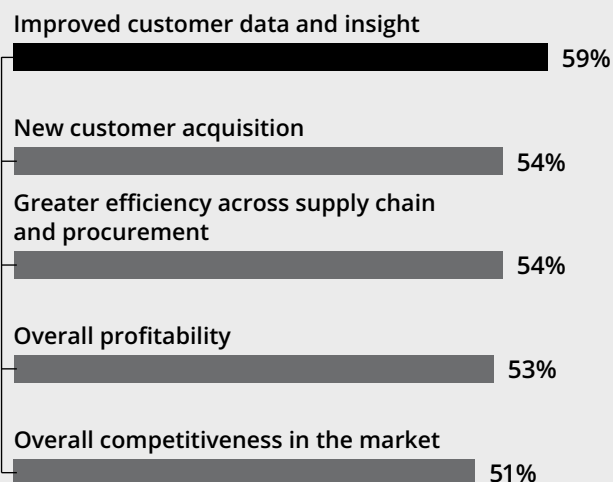
Transformation leaders in Hong Kong

DBS's research identifies a select group of 'transformation leaders' that consistently outperform the global average when it comes to digitalising their customer engagement. These companies are not just pursuing strategic or radical transformation plans – they are doing it extremely well.

We also identify a 'developing leaders' category of businesses that are currently excluded from the leader group but show potential for high performance down the line. At the other end of the scale, the transformation laggards are approaching the necessary improvements in an unmethodical and inefficient way.

In Hong Kong, 7% of respondents are in the transformation leader group, which puts it behind Singapore, India, Indonesia, Taiwan, Vietnam and

Successes: Digital has boosted customer insight



mainland China. Below, we explore some of the challenges that could explain this relatively low proportion of transformation leaders in Hong Kong.

A further 33% of respondents are classed as 'developing leaders', suggesting that the city's overall proportion of transformation leaders may expand in the years to come. Fourteen per cent of Hong Kong respondents fall into the 'laggards' category, with their digital transformation activity likely restricted by some of the challenges we outline in the next section.

In Hong Kong, 7% of respondents are transformation leaders



Strategic challenges to overcome

Despite the strength of Hong Kong's digital infrastructure, DBS's research indicates many businesses are struggling to transform at speed.

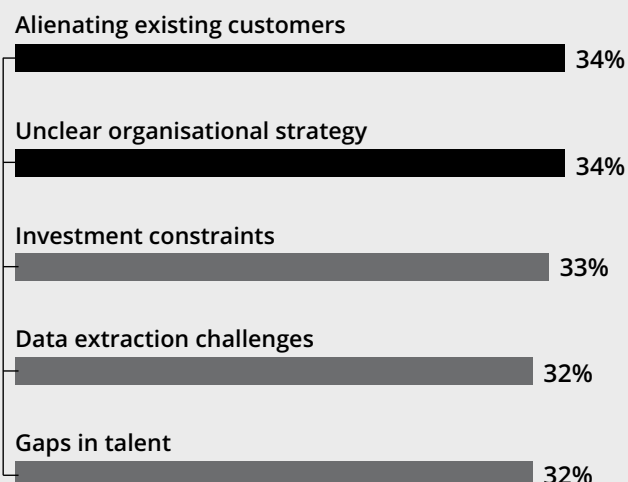
When asked which barriers are holding back their digital transformation activity, Hong Kong businesses are most likely to say they fear alienating their customer bases (identified by 34%), which could be related to economic uncertainty at a time of growing inflation worldwide.

Respondents are equally concerned that an unclear organisational strategy could be impacting their transformation efforts, which explains why the shared adoption of a strategic vision is high on the list of priorities for a successful corporate culture.

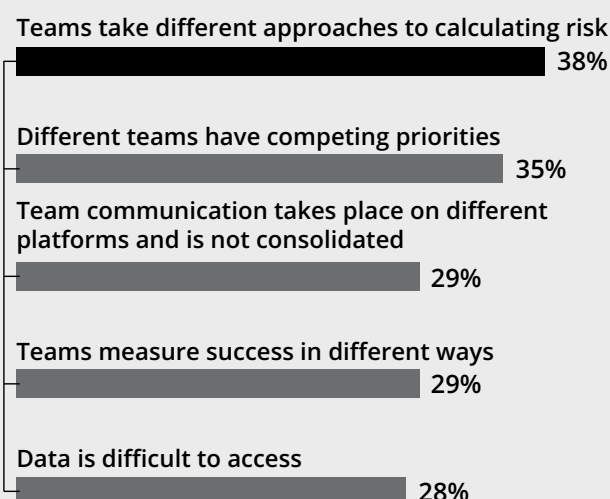
Hong Kong businesses are also experiencing challenges to collaboration between finance and commercial functions, the most common arising from teams having competing priorities and different approaches to risk (highlighted by 35% and 38%, respectively). The fact that 29% say team communication takes place on different platforms indicates that there are technical as well as cultural obstacles to effective collaboration.

Talent is another perennial area of concern, even if this is relatively low on the list of barriers. "Competition for talent in the digital technology space continues to grow," explains Wallace Lam, Managing Director and Head of Institutional Banking Group, DBS Bank (Hong Kong) Limited. "Therefore, it is important for business leaders to

Change barriers: Executives seek greater strategic clarity and fear alienating customers



Collaboration challenges: Teams differ on how to calculate risk



nurture and develop Hong Kong's next generation of technologists. This will not only help businesses accelerate their digital transformation goals and retain their talent, but will also expand the city's pool of leaders in this area.

"At DBS, we've been doubling down on our efforts to reskill and upskill our employees to create a tech-savvy workforce," adds Lam. "Today, some 85% of DBS Hong Kong employees have undergone our digital curriculum."

Harmony in the back office

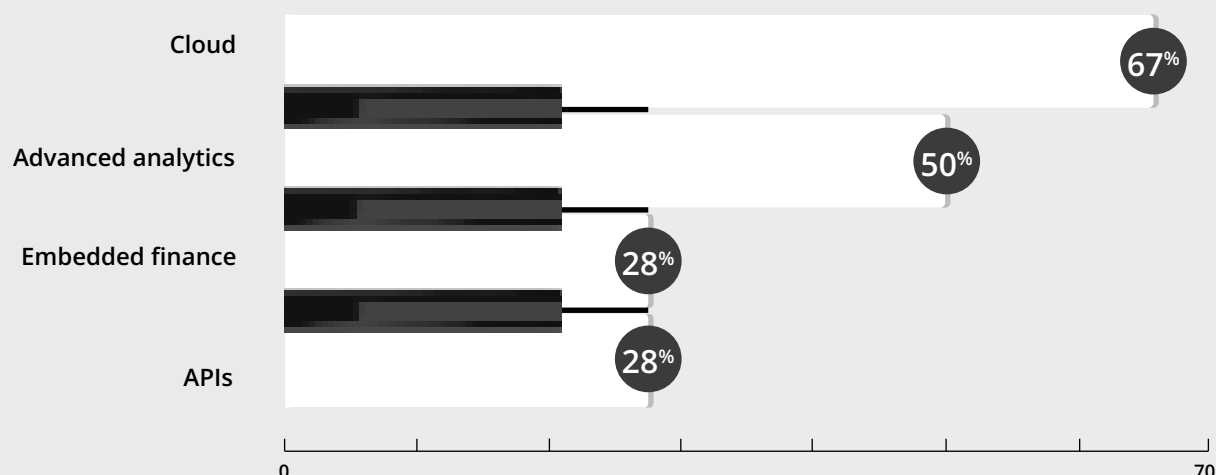
DBS's research explores the growing role that treasury and finance are playing in enabling change and innovation. In this section, we detail some of the transformation and technology trends affecting Hong Kong's finance and treasury teams.

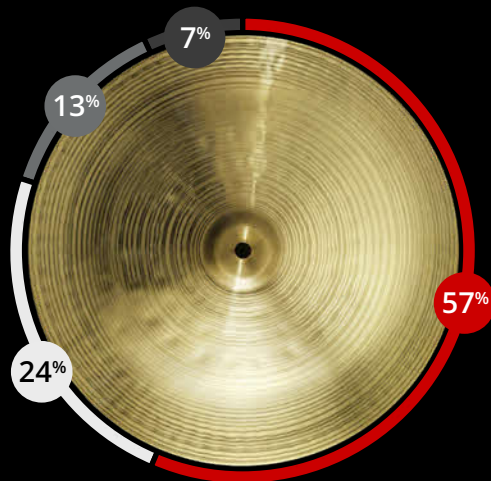
Cloud technology is seen as the most important tool for transforming these two business functions, identified by 67% of respondents – a trend supported by Hong Kong's high number of data centres.⁵ This strong network capacity and data infrastructure may also explain why advanced analytics is gaining traction.

Within the treasury function, investment activities are the top focus of transformation, closely followed by financial reporting. As part of this, many businesses will be seeking external partnerships. Among Hong Kong respondents, the most popular form of partnership is with banks, with 57% favouring these arrangements compared with a global average of 44%.

⁵ <https://www.mordorintelligence.com/industry-reports/hong-kong-data-center-market>

Technology: Cloud is the most important tool for treasury and finance

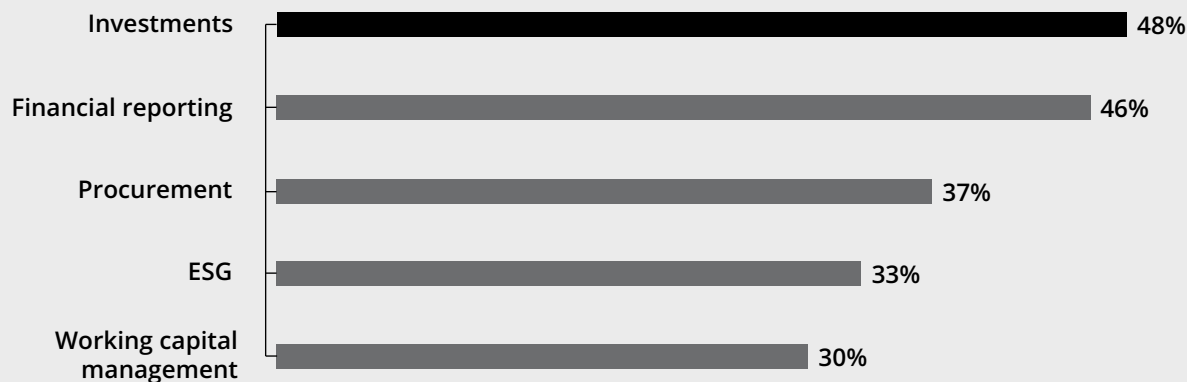




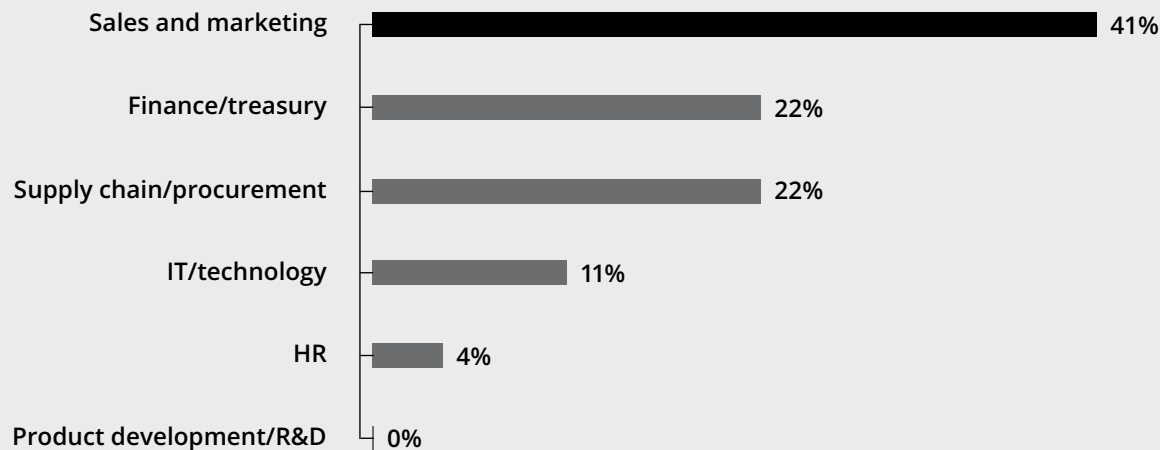
Treasurers in Hong Kong prefer working with banks on treasury transformation

- Partnering with banks
- Partnering with consultants
- Partnering with fintechs
- Partnering with a combination of the above

Treasury transformation: Digitising investment is the priority



Commercial priorities: Commercial teams want to see digitalisation of sales and marketing



Immediate actions

Our findings present a snapshot of digital transformation trends in Hong Kong. At a high level, we would recommend the following immediate actions.

Elevate treasury as a transformation enabler

Finance and treasury teams in Hong Kong appear to be less involved in strategic decision-making than their counterparts in other markets. Just 39% of Hong Kong respondents say that the pandemic raised the function's profile in their organisations, compared with 52% across the whole sample. Our research indicates that businesses should address this disconnect as a priority, integrating these teams into their innovation processes.

Tune up internal collaboration

Hong Kong respondents are more likely to say that have found it difficult to establish a strong, productive relationship between finance/treasury and commercial/sales (59% compared with a global average of 47%). A significant challenge in this respect is that the teams have competing priorities and take different approaches to risk. To avoid conflict and maximise effectiveness, business leaders should strive for closer alignment and identify shared objectives.

Work on culture

The research indicates that transformation leaders excel at cultural change. However, Hong Kong respondents are more likely than respondents on average to say that their company culture is

slowing transformation (despite the progress made in embedding faster decision-making). Senior leadership should be driving a more collaborative and flexible company culture to support and encourage change.

This report was produced by FT Longitude, the specialist research and content marketing division of the Financial Times Group. The views expressed in this report are those of DBS.

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