

## **Academic Support for the Servicing Economy**

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The transformation of Hong Kong from an export oriented manufacturing base into a service dominated economy is well known. What is less well known is that our service economy unlike that of almost all others is primarily oriented towards the servicing of the manufacturing base in south China and elsewhere in the region. This servicing economy is dominated by producers who service other producers rather than final consumers.

This means that our servicing economy is to a large extent geared towards providing business to business services. This is in sharp contrast to the usual caricature of a service economy found elsewhere in the world. Our servicing economy is made up primarily of small specialised firms who buy and sell high value added services through the market to other firms. Many of them possess specialised knowledge and information about niche markets and develop long term relationships with clients who make repeat purchases. The type of service firm has become smaller and more specialised in Hong Kong reflecting the growing division of labour of the economy and the preference of firms for contracting out all inessential services. It is apparent that the efficiency of these firms does not depend of scale economies.

Our retail sector by contrast have shown a propensity to invest in brand names in its strategy to reach out to a larger base of consumers who often make infrequent and idiosyncratic purchases. There are no doubt specialised and boutique services in the retail business, but scale economies have proven to be important so far and the typical retail firm is larger today than it was before. Retail services in Hong Kong are geared not only towards domestic consumers but also visitors. As their knowledge of overseas markets grows, many have expanded retail operations overseas.

Understanding the diversity and the needs of Hong Kong's servicing economy is no mean feat. At the macro level there are important public policy dimensions relating to the facilitation, enabling, regulation and liberalisation aspects of service sector development. At the micro level we find the growing significance of information technology, service innovation, service globalisation, service disintermediation, service customisation, service cost management, and service culture and change management as essential components in enhancing the competitiveness and vitality of this diverse sector. Enhancing service quality and productivity is not only a goal in itself, but because it provides an important key to unlocking the productivity of the manufacturing base it supports.

Hong Kong today is widely regarded as a leading centre for higher learning in Asia having benefited from a generous injection of public funds in the past decade. I believe that academia has a major role to perform in helping our service sector through the provision of research, training, and education services. I am also convinced that academic research and teaching at our universities will benefit enormously from greater involvement with business and government through the exchange of ideas and the development of research and training programmes.