

SME Development Fund  
Final Report of Approved Project

Project Title : Study on Hong Kong Manufacturing SMEs:  
(Reference No.) Preparing for the Future (D09 003 001)  
Period covered : From 1 February 2010 to 30 November 2010  
(dd/mm/yy) (dd/mm/yy)

## 1. Project Details

Please mark with "\*" if any of the following project details is different from that in the project proposal appended to the project agreement.

### Project Reference and Title

Study on Hong Kong Manufacturing SMEs: Preparing for the Future (D09 003 001)

### Project Summary (in not more than 150 words)

This project has been successfully completed with all the expenditure items kept within budget. The deliverables as set out in the application have been completed and produced on time, and distributed to stakeholders, including Hong Kong manufacturing SMEs, local trade associations representing SMEs, industry-support organisations, senior Hong Kong and Guangdong government officials in charge of industry affairs, foreign consulates-general in Hong Kong, as well as local tertiary education institutions. They have also been posted on the website of the Federation of Hong Kong Industries for on-line access by interested parties.

A seminar was organised on 29 October 2010 to present the major findings and recommendations of the project and acquaint the participants with the use of the "SME Advisory Kit". It was followed by a forum held on 8 November 2010 to discuss the issues identified in the study report and the way forward for Hong Kong's industrial development. Both events were covered by the press.

### Project Objective(s) (in not more than 80 words)

- To provide insights into the direction of national and Guangdong Provincial economic policy and the international market changes in the aftermath of the global financial crisis;
- To provide guidance on strategies that can allow Hong Kong manufacturing SMEs to enhance competitiveness as they deal with the evolving economic and policy changes; and
- To provide case studies of Hong Kong firms that are adjusting to the current challenges as real world examples that others may wish to follow.

### Recipient/Collaborating/Implementation Organisation

Recipient Organisation : Federation of Hong Kong Industries

Collaborating Organisation(s) : N.A.

Implementation Agent(s) : Enright, Scott & Associates Ltd.

### Key Personnel

	<u>Name</u>	<u>Company/Organisation</u>	<u>Tel No. &amp; Fax No.</u>
Project Co-ordinator :	<u>Dennis Yau</u>	<u>Federation of Hong Kong Industries</u>	<u>T: 2732 3183 F: 2721 3494</u>
Deputy Project Co-ordinator :	<u>Alexandra Poon</u>	<u>Federation of Hong Kong Industries</u>	<u>T: 2732 3173 F: 2721 3494</u>

### Project Period

	<u>Commencement Date</u> (day/month/year)	<u>Completion Date</u> (day/month/year)	<u>Project Duration</u> (No. of months)
As stated in project agreement	<u>1 February 2010</u>	<u>31 October 2010</u>	<u>Nine</u>
Revised (if applicable)	<u>N.A.</u>	<u>30 November 2010</u>	<u>Ten</u>

## Methodology Employed

The methodologies used in this study included: desk research, face-to-face interviews with stakeholders, as well as case studies of manufacturing firms.

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## 2. Summary of Project Results

### Project Deliverables

Please list out the targeted project deliverables as stated in the project proposal appended to the project agreement and provide details of actual result achieved, including beneficiaries, for each of them.

The project has successfully produced all of the deliverables as set out in the application, including:

1. A main report of the study which covers:
  - The global economic context in which Hong Kong industries are situated;
  - The restructuring of the economy of Guangdong Province and its potential impact on Hong Kong manufacturing SMEs;
  - Shifting economic policy in the Mainland and Guangdong and its potential impact on Hong Kong manufacturing SMEs; and
  - Potential strategies to enhance the competitiveness of Hong Kong manufacturing SMEs to ensure their survival and development in the face of changing circumstances;
2. Situation reports on five major industry sectors (i.e. toys, garments, consumer electronics, watches, and mould & die manufacturing). These reports addressed the following topics:
  - The current state of affairs in the sector;
  - The impact of the global economic situation;
  - The impact of shifts in the Mainland's economic and policy environments;
  - A case study of a Hong Kong firm that is reacting to the current situation that can serve as a real world example to others; and
  - Potential strategies for enhancing competitiveness to aid in survival and further development.
3. An "SME Advisory Kit" which includes the following:
  - A brief summary of the economic issues that Hong Kong manufacturing SMEs are facing;
  - A brief summary of the shifts in national and provincial policy that affect Hong Kong manufacturing SMEs;
  - A strategy checklist that guides SMEs through strategic options they may have;
  - A listing of some of the pitfalls that Hong Kong manufacturing SMEs often fall into and what might be done to avoid these pitfalls; and
  - Practical guidance to enhance competitiveness in the face of changing circumstances.
4. An interim presentation to brief and consult stakeholders on the initial conclusions of the study (*held on 14 July 2010*).
5. Two project-end seminars to acquaint SME manufacturers with the overall findings of the study and the use of the "SME Advisory Kit" (*held on 29 October 2010 and 8 November 2010 respectively*).

From these deliverables, Hong Kong manufacturing SMEs have benefited in the following ways:

- Having a better grasp of the direction of national and Guangdong Provincial economic policy and the international market changes in the aftermath of the global financial crisis;
- Having access to useful advice on developing strategies to enhance competitiveness when dealing with the evolving economic and policy changes; and
- Being able to tap the successful experience of Hong Kong firms that are adjusting to the current challenges.

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### Actual Benefits to SMEs

Please indicate *in clear, specific, tangible and quantifiable terms* the benefits of the project and its contribution to enhancing the competitiveness of Hong Kong's SMEs in general or SMEs in specific sectors, in not more than 400 words.

The main study report gives detailed analyses of the major economic, policy and operation issues commonly faced by Hong Kong manufacturers operating in the PRD. These include:

- Changes in the global economic environment;
- Rising operating costs in the PRD;
- Legal and regulatory changes in the Mainland;
- Shifts in national and provincial economic and industrial policies; and
- Operational and strategic issues.

These analyses enable Hong Kong manufacturing SMEs to have a better grasp of the direction of national and Guangdong Provincial economic policy and the international market changes in the aftermath of the global financial crisis.

In the Industry Situation Reports for the toys, garments, consumer electronics, watches, and mould & die manufacturing sectors, there are case studies of manufacturing firms and their response strategies to the current policy and economic changes. From the lessons of these firms, Hong Kong manufacturing SMEs can learn how to devise effective plans to enhance competitiveness.

By employing the guidance given in the "SME Advisory Kit", Hong Kong manufacturing SMEs can develop the following strategies to deal with external challenges:

- Cost reduction strategies;
- Differential strategies;
- Labour market strategies;
- Business model strategies;
- Geographic market strategies;
- Regulatory and policy-related strategies; and
- Exit or consolidation strategies.

Moreover, they can make use of the advice provided on the following areas to improve internal management:

- Selecting businesses in which to compete;
- Formulating compelling strategies or business plans;
- Understanding customers;
- Understanding competitors;
- Developing clear competitive advantages;
- Financing operations and financial management;
- Administering the firm;
- Keeping up to date on market, technological, and managerial developments;
- Marketing and selling to existing and potential customers;
- Reducing dependence on individual customers and suppliers; and
- Additional challenges.

### Milestones (in chronological order)

# Please indicate if the milestone is completed (C), deferred (D) or not achieved (N). If it is deferred, please indicate the revised completion date. For those milestones which are deferred or not achieved, please also provide the reasons under item 2.4.

<u>Milestone</u> (as set out in the project proposal appended to the project agreement)	<u>Original target completion date</u>	<u>Revised target completion date</u> (if applicable)	<u>Status</u> (C/D/N) #
(a) • Review of the economic and policy situation affecting Hong Kong manufacturing SMEs, including the global economic situation and the economic and policy environments in Hong Kong and the Mainland relevant to Hong Kong manufacturing SMEs.	28 February 2010		C
• Identification of interview targets for sectoral situation reports and overall assessments.			

(b)	• Interviews for overall assessments and situation reports.	15 April 2010	C
	• Selection of companies and interview targets for company case studies.		
(c)	• Carry out case studies	31 May 2010	C
(d)	• Prepare draft main report.	31 July 2010	C
	• Prepare draft sectoral situation reports including case studies.		
	• Prepare draft "SME Advisory Kit".		
	• Interim presentation to brief and consult stakeholders on initial conclusions and draft materials.		
(e)	• Draft materials revised based upon feedback from stakeholders.	31 August 2010	C
(f)	• The main report, sectoral situation reports and "SME Advisory Kit" finalised	30 September 2010	C
	• Translation of the main report, sectoral situation reports and "SME Advisory Kit" into Chinese.		
(g)	• Translation completed.	30 November 2010	C
	• Production and printing of the main report, sectoral situation reports and "SME Advisory Kit".		
	• Two project-end seminars launched.		

**Marketing/Dissemination Activities (in chronological order)**

Please provide details of all completed and on-going promotional and/or dissemination activities for each of the project deliverables. Such activities may include advertisements, seminars, workshops, etc.

<u>Date/ Period</u>	<u>Description</u>	<u>No. of beneficiaries</u> (Please specify whether they are SMEs or not)
29 October 2010	A seminar to present the major findings and recommendations of the study report and acquaint the participants with the use of the "SME Advisory Kit". This event was covered by the press. A press release highlighting the major findings of the study was issued on the event day.	Over 80 manufacturing SMEs
8 November 2010	A forum to discuss the issues identified in the study and the way forward for Hong Kong's industrial development. This event was covered by the press. A press release recapping the discussions was issued on the event day.	Over 100 manufacturing SMEs
November 2010	Hardcopies of the main study report, sectoral situation reports and "SME Advisory Kit" distributed to stakeholders, including Hong Kong manufacturing SMEs, local trade associations representing SMEs, industry-support organisations, senior Hong Kong and Guangdong government officials in charge of industry affairs, foreign consulates-general in Hong Kong, as well as local tertiary education institutions.	Over 5,000 manufacturing SMEs
November 2010	Project deliverables posted on the website of the Federation of Hong Kong Industries to enable on-line access by interested parties.	Over 50,000 manufacturing SMEs
Total no. of beneficiaries - no. of SMEs		Over 50,000
no. of companies which are <u>not</u> SMEs		N.A.

**Future Plan for Promoting the Project Deliverables**

The "SME Advisory Kit" produced under this project offers practical and useful advice for Hong Kong manufacturing SMEs on dealing with the external and internal challenges they face them. The Federation of Hong Kong plans to organise a series of seminars, courses and workshops on the use of the SME Advisory Kit to equip Hong Kong manufacturing SMEs with the requisite skills in enhancing internal management. The programme will involve training in preparing sound business plans, developing competitive advantage, effective sales, financial and human resources management, as well as how to keep abreast with the market.