Beyond Asia:
Strategies to support the quest for growth

Hong Kong highlights
About this report

Rapid-growth markets have largely been viewed and studied from the perspective of inbound investment by companies based in the West. Hong Kong highlights and the larger report of which it is a part, Beyond Asia: strategies to support the quest for growth, offer rare insights about the strategies of outbound investment from companies based in Asia and provide in-depth perspectives on decision-making for companies from both mature and rapid-growth markets.

Hong Kong highlights is based on a survey of 617 business executives based in East and Southeast Asia, conducted by the Economist Intelligence Unit in March and April 2012. Companies were headquartered in mainland China, South Korea, Hong Kong (SAR), Indonesia, Malaysia, Singapore, Taiwan, Thailand and Vietnam. The sample included 74 interviews from the Hong Kong special administrative region (SAR). The complete report, Beyond Asia: strategies to support the quest for growth, includes the full results from the survey in addition to qualitative interviews with several Ernst & Young sector and country leaders and the viewpoints of senior executives from companies across the region. Oxford Economics provided analysis of current and predicted trade flows among individual Asian markets and between Asia and the rest of the world.

All of the companies surveyed are Asian multinationals that obtain substantial revenues and profits from international markets. Companies with operations limited to East and Southeast Asia were classified as regional; those with operations in two or more markets in the Americas, Europe, the Middle East, Africa, India, Australia, New Zealand or Japan were classified as global. Both groups contained companies from all nine markets surveyed; large and small companies by revenue, a mix of public and private ownership, and a spread of industry sectors.

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Introduction

In the face of a slow global economic recovery, Asia continues to grow at a rapid pace. Over the next decade, the region’s GDP will grow more than 6% a year, according to forecasts by Oxford Economics. In the last 10 years, the region has been the world’s fastest-growing source of foreign direct investment (FDI). In 2010, FDI outflows from South, East and Southeast Asia totaled US$230 billion. Although these outflows have not yet reached the level of inflows, clearly the gap between inbound and outbound FDI is fast narrowing. Regional companies are looking beyond Asia and targeting other regions of the world, whereas Asian companies that are already global are consolidating their investments and competing on a level platform with traditional Western multinationals.

As a result of this analysis, we have developed practical strategies to help businesses focus on the right rationales for investment, modes of entry and capabilities, as well as forecasts to improve decision-making and planning for future global expansion.

As a global gateway to mainland China, Hong Kong is one of Asia’s most dynamic and wealthy trading hubs. This report compares our overall findings for Asia with those for Hong Kong and highlights the unique characteristics of Hong Kong companies that are regionally and globally focused. It contains challenging and thought-provoking insights for Asian companies as they develop their strategies for expansion within and outside the region.

Based on in-depth research conducted for Ernst & Young, featured in our report Beyond Asia: Strategies to support the quest for growth, examines the practical issues that both regional and global Asian companies will need to consider to succeed in the next few years. It looks at how, why and where they are expanding, examines the challenges they are likely to face and how they might overcome them. A key component of our analysis compares companies that currently operate only within Asia (regionally focused) and those that have significant operations or investments outside Asia (globally focused).

The Hong Kong report and Beyond Asia: strategies to support the quest for growth are part of Growing Beyond, our flagship program that explores how companies can grow faster by expanding into new markets, finding new ways to innovate and implementing new approaches to talent management.
Lessons from Asia:

What Hong Kong companies can learn

As Asian companies grow in stature, the pattern of their overseas investment is changing. Over the next three years, many players that are predominantly regional now will seek to become global players. Our survey found that Asian companies are expanding overseas for six key reasons: growth; diversification; routes to market; access to resources; access to skills; and access to technology. Regional companies emphasize building the capabilities and resources needed to further their ambitions, whereas global companies see expansion first as a means of securing new customers and sales growth.

The Asian business model is also changing. Where once they were renowned for low-cost manufacturing, Asian companies can now rightly boast of the quality of their products and services, and the strength of their technology. When asked about their key strengths and advantages, Asian executives are most likely to point to those factors as key advantages when targeting overseas markets. Furthermore, Asian companies are becoming more conscious of – and more flexible about – the deal structures they will consider. Regional companies in particular say partnerships and alliances will become more important to them, whereas mergers and acquisitions are a much more viable option for the globally focused companies.

Autonomy, profitability pose challenges

Still, several challenges remain. The farther from home they travel, the more likely Asian companies are to encounter difficulties with understanding the nuances of the local market abroad. Our regionally focused respondents consider themselves more effective than do their global peers at dealing with the challenges of running an international business, but they should not underestimate the complexity ahead. Control is also an issue, as globalization brings with it a need for greater autonomy. Many Asian companies remain tightly controlled from the center, but this raises questions about the effectiveness and agility of their decision-making, particularly in markets that are distant and unfamiliar. In general, companies in the survey tend to become more decentralized as they expand into developed markets.

Another hurdle is that profitability tends to lag investment. Growth may come relatively quickly, but making sure that investments are profitable is much more challenging. Increasing profitability requires companies to focus on efficiency and execution.

The need for an international mindset

Asian companies with a more diverse geographical footprint readily admit that their management teams need a better understanding of global markets and a more international outlook. Senior managers must have experience of different markets, the ability to understand and reconcile different cultural norms, and the ability to combine local and global talent into one seamless whole.

A step change is also required in talent management. Companies must create the right blend of local and global management and ensure that the right talent is in the right place to achieve key performance objectives. This becomes more difficult as companies broaden their footprint: global companies are less likely than are their regional peers to think that they are effective at many of these key aspects of talent management.
Rapid-growth markets from Asia represent the fastest-growing economic region in the world, with annual growth forecast at more than 6% a year.

The IMF expects advanced economies to grow by just 1.4% in 2012 and 2% in 2013. The corresponding figure for East and Southeast Asia in 2013 is 7.9%.

Since 2000, Asia has been the fastest-growing source of foreign direct investment (FDI). Its businesses currently produce a quarter of the world’s exports (US$3.77 trillion in 2010) and form 87 of the Fortune Global 500 largest firms.

FDI outflows from East and Southeast Asia recorded a compound annual growth rate of 22.9% in 2005-2011, jumping from US$70 billion to US$242 billion.

Investors from East and Southeast Asia are major drivers of growth in global foreign direct investment (FDI) outflows, making up 16% of the world’s total FDI (up from just 7% in 2005) and driven by increased outflows from mainland China, Hong Kong, Malaysia, South Korea, Singapore and Taiwan.

Intra-regional trade is expanding rapidly, reflecting the shift towards higher consumption in Asia. China leads the way in terms of outflows and destination, with growth for Indonesia, South Korea, Thailand and Vietnam close behind.

Trade flows from Asia to the US and Canada, the Middle East, Latin America and Africa are expected to increase by over 10% a year up to 2020.

Cross-border M&A purchases are consuming an ever-larger slice of FDI flows, with purchases from Asia reaching a record US$94 billion in 2010.

The China - US trade route is forecast to see the biggest increase in the world, predicted to rise by almost US$700 billion by 2020.

Sources: UNCTAD, IMF, Oxford Economics
Growing Beyond

Hong Kong’s dynamic economy has helped create a high-income environment. During 2012, its per capita income, in purchasing power parity terms, will surpass US$50,000 for the first time, according to the Economist Intelligence Unit, with an expected increase to US$66,100 in five years.

Given its high degree of exposure to the global economy, Hong Kong’s GDP contracted during the downturn in 2009, but swung back sharply in 2010 and 2011. Looking ahead, Hong Kong is expected to continue expanding steadily by an average of about 4.5% from 2013-2016. Its GDP in 2011 was US$243 billion in real terms. In purchasing power parity terms, this would effectively make Hong Kong one of the world’s top 40 largest economies.

Hong Kong’s companies have long sought to invest abroad. Their FDI outflow boomed in 2010 to US$95 billion, before falling to an expected US$52 billion in 2012. By 2020, this is forecast to have rebounded to more than US$100 billion, according to Oxford Economics (see Figure 1).

As appropriate to Hong Kong’s status as a trading hub, exports are forecast to continue expanding healthily, increasing in value at an average of more than 8% per year between 2010 and 2020 (see Figures 2, 3 and 4).

Machinery and transport, along with other manufactured goods, account for the majority of Hong Kong’s exports, collectively contributing 69%. These will remain the dominant sectors in 2020, although exports of services will increase slightly to just over 23%, up from 21% today.

Given Hong Kong’s position as a hub for mainland China, this trade route naturally dominates its exporting patterns, accounting for more than 60% of exports. By 2020, this will climb to about 70%, with the US in a distant second place (see Figures 4 and 5).

From a trade growth perspective, India is likely to expand most rapidly as an export destination, forecast to expand by 10.5% annually between now and 2020, followed by mainland China (9.7%) and Korea (8.5%). Developed economies, such as the US (6.3%) and Germany (5%) will remain healthy targets, albeit at slower rates of growth.

Footnotes
1. Economist Intelligence Unit
2. Ibid.
3. CIA World Factbook
4. Oxford Economics
5. Ibid.
Given its history, Hong Kong is practically synonymous with international trade. It is the key gateway to mainland China, which is by far the biggest recipient of its exports. Propelled by a vibrant economy, its FDI outflow boomed over the past decade, reaching a peak of US$95 billion in 2010 before falling off sharply again. But volume is expected to climb steadily again, as Hong Kong’s outward-bound companies expand into new markets. These trends reflect the economy’s close exposure to global trade, which grew sharply in 2010 before weakening again last year. While its regional peers are likely to achieve relatively higher FDI outflow growth rates in the coming decade, many are still catching up with Hong Kong’s high average annual outflows.

Seeking growth and diversification

Looking ahead, Hong Kong businesses appear keen to diversify beyond their strong reliance on China and the US. Local executives see Western Europe, Brazil and India as the top three sources of growth in the next three years, while South Korea, Indonesia and Vietnam are growth opportunities closer to home. The objective is to tap into new customers and boost sales (see Figure 6). This is a far greater motivator for Hong Kong firms, both in developed markets (38% versus 31% for the rest of the survey sample) and rapid-growth markets (57% compared with 46%). Developed markets, such as those in Europe, are also seen as a source of new technology, but this is a lower priority for local executives than for others (31% compared with 38%).

Another significant motivator for Hong Kong businesses is to spread their risk across different markets given their heavy reliance today on China and the US for trade. This is a far greater driver in both developed markets (22% against 11% for the rest of the sample) and rapid-growth markets (31% against 12%). This is reflected in the survey findings showing a far greater interest in the size of a country’s potential customer base when Hong Kong businesses assess new markets, (39% compared with 25%), and a strong interest in political stability (58% versus 52%).

Overseas operations enjoy more autonomy

Compared with the majority of their regional peers, Hong Kong executives are less fixated on tightly controlling all operations from the head office (see Figure 7). About one in four companies give their international subsidiaries a high degree of autonomy, with about one in five open to a mixture of local control and head office oversight, depending on the function in question. Although a majority of companies still prefer to control activity from the head office, the proportion is far lower than that of other Asian companies. In developed markets, far fewer Hong Kong executives control things tightly at home (39% as compared with 49% across the sample). A similar ratio plays out in countries closer to home (33%, instead of 40%).

“In China, we are doing new things. We are developing new markets, new consumer buying habits, and so on. But in the more developed economies, our aim is really to increase market share.”

Rudi Tsai, Director of strategic development, Pacific Andes, Hong Kong
Despite this greater willingness to loosen controls in international markets, overseas profits still lag revenues. Although half of Hong Kong companies surveyed generate 50% or more of their revenues abroad, just 38% collect the equivalent level of profits (see Figure 8). This fits a trend seen across the wider survey too, but suggests that even with a longer history of operating internationally, Hong Kong businesses still need to strengthen management in this area. Nevertheless, there is a strong belief among local executives that the top management team has an international outlook on decision-making (42% as opposed to 34% across the sample).

**Developing overseas talent will be a priority in the years ahead**

Hong Kong’s vibrant and open economy gives it a significant edge over many rivals by attracting a wide pool of skilled and experienced workers. Local executives cite the quality of their workforce as their top advantage in targeting new international markets (see Figure 9). This is a considerable difference from other regional economies, who ranked strength of workforce quality fourth overall. Similarly, the ability to innovate is ranked as the third main strength, compared with fifth elsewhere. Given a consistent aspiration across survey respondents to compete on product or service quality (the highest ranked for the sample overall, and second in Hong Kong), the economy’s workforce strength is a major asset.

However, the challenge in the years ahead will be to develop the talent in overseas operations. This is a distinctive priority for Hong Kong firms, ahead of other regional economies. Overall, 42% plan to emphasize recruiting locally from new international markets, compared with just 23% across all respondents. Although building up talent within the company is a consistent first priority for all businesses, local recruitment is far more important for Hong Kong executives (see Figure 10). This is consistent with the international experience of the top management team. Local executives were least confident about whether their company had the right balance between local talent and expatriate managers.

“\[I think the Asian asset managers will be very active internationally in 10 years’ time. Certainly within 10 years there’ll be a significant uptake because there’s a lot of capital in the Asian region, they’re very aggressive in relation to their growth and I think they’re looking beyond their borders.\]”

Graeme McKenzie, Oceania Asset Management Leader, Ernst & Young
International expansion:

Business implications for Asian companies

Entering into international markets brings both significant opportunities and significant challenges. As our survey of Asian outbound investment shows, the business implications of growth — and the strategies to manage them — are quite different for global and regional players and need to be explored carefully. The following are some key tactics we have identified:

For regional companies

**Consider the implications of greater competition.** As companies from both inside and outside Asia continue to target the region, this will increase competition — for assets, talent, resources and customers. Regional companies need to consider the impact of this trend on their prospects.

**Build capabilities for international expansion.** Regional companies seeking to build a global footprint must ensure that they get the basic capabilities in place before making bold moves. They need managers who have an understanding of international markets, and core functions, like finance, HR and IT, that can support multiple markets.

**Leverage global resources.** Regional companies will be under greater pressure to ramp up their innovation, product and service mix and talent pipelines. By building partnerships with companies outside Asia, or acquiring companies with the right resources and expertise, regional companies can leverage global resources to ensure that they remain globally competitive.

**Enable greater local autonomy.** Greater geographic scale makes it more difficult to control from the center. Companies should therefore consider devolving greater autonomy to regions, but do so within a set of parameters and risk frameworks.

For global companies

**Put in place robust risk management.** Enable entrepreneurship and autonomy at a local level but do so within a set of parameters and rules that give business leaders at headquarters comfort that the company’s values are being upheld. A robust risk system will also provide early warning of problems on the periphery of the organization.

**Improve profitability.** For many globally focused Asian companies, the priority remains investment and growth. But profits have not kept pace with revenue, as our survey consistently shows. As Asian companies’ investments mature, they will need to do more to introduce efficiency and increase productivity.

**Focus on different modes of investment.** There has been a new wave of mergers and acquisitions in developed markets as Asian companies seek brands, know-how, technology and intellectual property. Globally focused companies are bolder than their regional counterparts in conducting mergers and acquisitions or greenfield investments to drive growth, but will still need to identify the right partners and to maximize value.

**Make the corporate culture more international.** By recruiting managers with experience of different markets, reducing reliance on expatriate workers, and putting in place global talent management programs that enable the flow of key talent around the world, companies can disseminate best practice and create a more international workforce.

**Choose where functions should be global or local.** Companies need to think about where they can derive economies of scale without compromising local relevance. Functions such as finance, HR and IT are often good candidates for centralization. It is also possible to create platforms for services that are delivered locally.
What do these trends mean for Hong Kong companies?

In addition to implications for Asian companies, our research findings offer a number of implications specific to Hong Kong businesses seeking to expand internationally. The most important of these are the following:

*It is important to look beyond costs to meet increased global competition.* There will be growing competition for assets as regional rivals seek new growth. The nature of competition is changing as Asian companies focus more on product and service quality, ahead of low cost. Hong Kong may be further along this curve today, but will face increased challenges in this regard.

*Companies will need to place a stronger focus on managing political and regulatory risk.* Political and regulatory risk can have a material impact on valuations. In any expansion abroad, management of such risk should not just happen at the due diligence stage — companies need systems in place to effectively manage such risks on an ongoing basis.

*Define those strategies required to bolster profitability.* Hong Kong executives will need to be clear about how and when they will achieve a return on investment. Not the least of their challenges is the complexity and higher costs that can accompany overseas expansion. Rigorous performance management will be essential to ensuring that managers are clear about what they need to achieve and by when.

“In our core business of marketing and distribution, we usually operate as a 100% wholly foreign-owned enterprise, although we do have some joint ventures mostly centered around bringing in good technology owners from Europe.”

Lilliana Choi, Manager of Corporate Strategy & Development, Jebsen and Company Limited
Figure 1: Outward FDI is expected to rebound and rise rapidly for Hong Kong companies

Source: Oxford Economics.
Shown: Outward FDI, US$3b.

Figure 2: Annual growth in Hong Kong merchandise exports outside of Asia, 2010-2020

Source: Oxford Economics/IMF.
Shown: Per annum percentage growth in exports.
“For any global expansion on a large scale, you have to be careful in setting up the right infrastructure for growth, and you have to make decisions in advance such as what functions should be centralized and shared and how.”

Lilliana Choi, Manager of Corporate Strategy & Development, Jebsen and Company Limited

**Figure 3: Hong Kong merchandise exports, 2010-2020**

<table>
<thead>
<tr>
<th>Destination</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>529</td>
<td>210</td>
</tr>
<tr>
<td>US</td>
<td>79</td>
<td>43</td>
</tr>
<tr>
<td>India</td>
<td>10</td>
<td>27</td>
</tr>
<tr>
<td>Japan</td>
<td>24</td>
<td>16</td>
</tr>
<tr>
<td>Rest of Eurozone</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>South Korea</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Germany</td>
<td>17</td>
<td>10</td>
</tr>
<tr>
<td>UK</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Africa and Middle East</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Latin America and Caribbean</td>
<td>12</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Oxford Economics.
Note: Export value by destination market, US$b.

**Figure 4: Hong Kong merchandise exports by sector, 2010-2020**

<table>
<thead>
<tr>
<th>Sector</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery and transport</td>
<td>493</td>
<td>233</td>
</tr>
<tr>
<td>Other manufactured goods</td>
<td>263</td>
<td>118</td>
</tr>
<tr>
<td>Services</td>
<td>258</td>
<td>106</td>
</tr>
<tr>
<td>Chemicals</td>
<td>258</td>
<td>18</td>
</tr>
<tr>
<td>Metals</td>
<td>31</td>
<td>19</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>31</td>
<td>14</td>
</tr>
<tr>
<td>Raw materials</td>
<td>17</td>
<td>3</td>
</tr>
<tr>
<td>Passenger cars</td>
<td>8</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Oxford Economics/UNCOMTRADE.
Note: Value in US$b.
Figure 5: Annual growth in Hong Kong merchandise exports within Asia, 2010-2020

<table>
<thead>
<tr>
<th>Country</th>
<th>2010-2020 Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>10.5</td>
</tr>
<tr>
<td>Mainland China</td>
<td>9.7</td>
</tr>
<tr>
<td>South Korea</td>
<td>8.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>8.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>7.2</td>
</tr>
<tr>
<td>Vietnam</td>
<td>6.2</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>4.8</td>
</tr>
<tr>
<td>Taiwan</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Oxford Economics. Shown: Per annum percentage growth in exports.

Figure 6: Hong Kong companies are strongly focused on seeking growth opportunities abroad, even in developed markets

What are the most important benefits you would be looking to achieve through international expansion in developed and rapid-growth markets?

Benefits from expansion in developed markets

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Hong Kong</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>New customers/ales growth</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Access to new technology or innovations</td>
<td>31</td>
<td>38</td>
</tr>
<tr>
<td>Tap a gap in the market for products and services</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>Access to skilled workers</td>
<td>22</td>
<td>33</td>
</tr>
<tr>
<td>Access to natural resources/ raw materials</td>
<td>22</td>
<td>32</td>
</tr>
<tr>
<td>Access to new distribution channels</td>
<td>22</td>
<td>32</td>
</tr>
<tr>
<td>Spreading risk across different markets</td>
<td>11</td>
<td>22</td>
</tr>
<tr>
<td>Acquiring a respected international brand</td>
<td>19</td>
<td>16</td>
</tr>
<tr>
<td>Access to intellectual property</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>Access to low cost labor</td>
<td>15</td>
<td>28</td>
</tr>
</tbody>
</table>

Benefits from expansion in rapid-growth markets

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Hong Kong</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>New customers/ales growth</td>
<td>46</td>
<td>57</td>
</tr>
<tr>
<td>Access to new technology or innovations</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>Tap a gap in the market for products and services</td>
<td>32</td>
<td>37</td>
</tr>
<tr>
<td>Access to skilled workers</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>Access to natural resources/ raw materials</td>
<td>19</td>
<td>30</td>
</tr>
<tr>
<td>Access to new distribution channels</td>
<td>12</td>
<td>36</td>
</tr>
<tr>
<td>Spreading risk across different markets</td>
<td>11</td>
<td>31</td>
</tr>
<tr>
<td>Acquiring a respected international brand</td>
<td>16</td>
<td>14</td>
</tr>
<tr>
<td>Access to intellectual property</td>
<td>11</td>
<td>23</td>
</tr>
<tr>
<td>Access to low cost labor</td>
<td>15</td>
<td>24</td>
</tr>
</tbody>
</table>

Source: Ernst & Young Beyond Asia survey. Shown: Percentage of respondents. Base: Hong Kong (74), all respondents (617).
Control strategy for markets in East and Southeast Asia

- **Hong Kong**: 33%
- **All respondents**: 49%

Control strategy for developed markets

- **Hong Kong**: 39%
- **All respondents**: 49%

Source: Ernst & Young Beyond Asia survey.
Shown: Percentage of respondents. Base: Hong Kong (74), all respondents (617).

Figure 7: Executives are more open to giving international offices greater autonomy

**Which description best fits your company’s international strategy in East or Southeast Asia? And in developed markets?**

- International operations are tightly controlled by head office
- International operations have a large degree of autonomy
- The role of head office is more variable in our international operations. Some functions are tightly controlled and others have greater autonomy

Figure 8: Profits lag revenues in international markets

**What percentage of your revenues and profits are currently generated outside your company’s home country?**

- % of revenue generated in international markets for Hong Kong companies
- % of profits generated in international markets for Hong Kong companies

Source: Ernst & Young Beyond Asia survey.
Shown: Percentage of respondents. Base: Hong Kong (74), all respondents (617).
Figure 9: Hong Kong's workforce is seen as a major strength in its plans to target new international markets

What are your company's most relevant strengths and advantages as it targets international markets for sales and investment?

<table>
<thead>
<tr>
<th>Strength</th>
<th>Hong Kong</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of your workforce</td>
<td>50</td>
<td>31</td>
</tr>
<tr>
<td>Product or service quality</td>
<td>46</td>
<td>43</td>
</tr>
<tr>
<td>Ability to innovate</td>
<td>30</td>
<td>29</td>
</tr>
<tr>
<td>Global supply chain</td>
<td>28</td>
<td>33</td>
</tr>
<tr>
<td>Speed of execution</td>
<td>26</td>
<td>29</td>
</tr>
<tr>
<td>Brand strength and reputation</td>
<td>23</td>
<td>25</td>
</tr>
<tr>
<td>Cost competitiveness of your workforce</td>
<td>22</td>
<td>23</td>
</tr>
<tr>
<td>Leading technology</td>
<td>20</td>
<td>36</td>
</tr>
<tr>
<td>Value of intellectual property</td>
<td>11</td>
<td>21</td>
</tr>
<tr>
<td>Access to low-cost capital/funding</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Low-cost business model</td>
<td>5</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Ernst & Young Beyond Asia survey.
Shown: Percentage of respondents. Base: Hong Kong (74), all respondents (617).

Figure 10: Compared with their regional peers, Hong Kong executives are planning to put a far greater emphasis on recruiting local talent for overseas operations

In building your international management team, which approach will you most emphasize over the next three years?

<table>
<thead>
<tr>
<th>Approach</th>
<th>Hong Kong</th>
<th>All respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Build from within the company</td>
<td>53</td>
<td>61</td>
</tr>
<tr>
<td>Require experience in different international markets as a prerequisite for future management</td>
<td>46</td>
<td>52</td>
</tr>
<tr>
<td>Recruit locally from new international markets</td>
<td>42</td>
<td>35</td>
</tr>
<tr>
<td>Secure talent from other organizations</td>
<td>31</td>
<td>39</td>
</tr>
<tr>
<td>Use expatriates from parent company</td>
<td>20</td>
<td>21</td>
</tr>
</tbody>
</table>

Source: Ernst & Young Beyond Asia survey.
Shown: Percentage of respondents. Base: Hong Kong (74), all respondents (617).
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ED None

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Asian companies face major challenges as they expand globally. This report explores these challenges and their business implications.