

Strategic Views of Hong Kong SMEs Responding to the Post-COVID Recovery

Mong Kwan Jacky Watt

North Bangkok University, Bangkok 10220, Sai Mai

Abstract: The health crisis caused by the current pandemic has been of such magnitude that the drop-off in economic and business activities in Hong Kong is generating an economic and social crisis with consequences that are not easy to measure and recover. This study analyses the origins and evolution of the coronavirus pandemic. It reviews the literature related to the impacts and recovery strategies that will improve the local economy, especially in SME and entrepreneurship policy measures implemented during the post-stage of pandemic crisis. This paper also formulates a practical approach to help management decisions addressing three challenges: First, to continue support measures to the current situation of COVID effect; second, to measure the potential strengthening of SMEs in dealing with COVID; and third, to introduce effective and practical strategic policies that foster SME recovery.

Keywords: Strategic View; Hong Kong SME; Post-COVID Recovery

1. Introduction

SMEs are the cornerstone of Hong Kong's economy, and they employ roughly 1.2 million people, or 45% of Hong Kong's overall employment, so their prosperity is critical to the city's success. The pandemic has caused the fragility of global supply chains and business activities. It has sounded alarm bells for many local businesses to review and improve the resilience of their operations. For the recovery to take root, companies need to avoid further disruption and emerge stronger than before. Lockdowns and restrictions also accelerate different and better business strategies to keep the organization ahead of the curve. Many SMEs were caught off guard by the rapid spread of the epidemic. They did not have the corresponding policies and resources to deal with the situation and other related consequences caused by the epidemic. According to the Hong Kong Trade Development Council's Local Business Report, 86% of Hong Kong businesses experienced varying supply chain disruption, reduced business, and global travel disruption due to government-policed lockdowns and border closures. When the pandemic first hit, supply chain disruptions in China were primarily centered on the need to expand diversification. In addition, with the travel restrictions imposed by the government to reduce possible virus importation, many SMEs that usually rely on business contacts through exhibitions, business seminars, and face-to-face negotiations were forced to stop or significantly reduce (Zhao 2021)^[1].

2. Definition of term

2.1 Strategic view

A strategic view by SMEs involves the business management and capability in focusing business planning, activities, investments, and operations. The strategies should be practical, transformational, and achievable. An excellent strategic view should be more than simply a vision and philosophy; it involves the functional transformation and operation adoption program with vital functionalities (Niemimaa: et al. 2019)^[2].

2.2 Hong Kong SMEs

In the Global Innovation Index, Hong Kong ranks as the third most innovative location in Southeast Asia, East Asia, and Oceania. SMEs enjoy lower start-up and operating costs of new technologies, greater flexibility and capabilities, and the ability to respond to market and economic changes.

2.3 Post-pandemic recovery

Meeting the challenges posed by the pandemic, global businesses must respond with agility and decisiveness. The recovery phase involves conducting a "post-mortem review" to gather data and insights on lessons learned from the pandemic, followed by prioritizing actions to improve business value today and build strategic resilience for tomorrow. Businesses that take these steps now will be well-positioned to take advantage of the opportunities emerging more effectively in the post-COVID-19 recovery and continue to win in their markets as greater certainty and stability return^[3].

3. COVID impact on Hong Kong SMEs

3.1 Coping the effect of COVID

SMEs have limited resources and inadequate capability in exposing their greater vulnerability through significant economic and social crises (Capel: et al. 2020)^[3].

(1) SMEs are overrepresented in the sectors most affected by the crisis, particularly in wholesale and retail trade, air transport, travel, logistic services, real estate, professional services, and other personal services.

(2) SMEs are typically more financially and operationally fragile and have smaller capital than their larger counterparts, making them less adaptable to crises.

(3) SMEs generally have a minor scale of inventories and supplier networks, making them more vulnerable to supply chain disruptions and risk of price increases.

(4) SMEs lack digital tools and technologies that can help build resilience in the current pandemic crisis.

(5) SMEs often struggle to adapt business operations to uncertainty due to their operational skill and human resource constraints.

3.2 The best approach to understanding the advantages of being an SME

(1) Closer to their customer – in terms of the relationship built-up, SMEs could have more agility in dealing with customer and market demand through an efficient decision-making process.

(2) Flexibility in operation –dealing with market change, size, and more straightforward structure could offer substantial flexibility to adapt to the variations in the market and more excellent capability to reduce supply or increase supply when needed.

(3) Taking advantage of small market niches – a better sense of detecting market trends and capturing their best before the more prominent corporations rush in.

4. The Countermeasures for Hong Kong SMEs Policy Response to Post-COVID Recovery

First Management should investigate the need to recalibrate the expansion and recovery strategy and decentralize operations from potential market disruptions. Ensure the support measures are inclusive and reach the marketplace through strengthening flexibility.

Second Marketing policy should look for customers in new markets with its enviable connectivity through the import and export gateway to different external markets and mainland markets—the concept of rebooting start-up policies in enhancing the potential of innovative new and joint ventures for recovery.

Third Mission should be set to know where to avoid over-indebtedness and solvency crisis by exploring equity, venture investment, and other non-debt support. The recovery program needs excellent and effective decisions for well-suited to the road of recovery.

Fourth The focus on digitalization could assist data management in capturing market information for a better and faster decision-making process and ensure the best connection to the marketplace through marketing promotion and logistic arrangement through the systems with safeguarding, accountability, and effectiveness (Priyono: et al. 2020)^[4].

5. New Challenges and Opportunities for SMEs in the Post-COVID Stage

First The pandemic has caused different challenges and opportunities for SMEs and entrepreneurial policies in operation and evaluation. Robust monitoring and evaluation practices and cultures are crucial for traditional and strategic SME and entrepreneurial policies. Still, they are significant in the context of rapid policy responses to crises such as pandemics.

Second One of the challenges is that policy support and measurement are launched quickly, targets and target groups are not always clearly specified, and change during the pandemic. On the other hand, the next challenge, besides the issues of capital and market, human resources would have been another huge concern.

Third Despite SMEs employing fewer people, the post-pandemic stage could have another tide of finding new staff and retaining existing staff from joining competitions. Maintaining strong company values and an engaged workforce has never been more critical. The recovery policy should focus on the external market and examine the internal operation.

Fourth Another critical issue would be lobbying the support from the government, primarily for the help in digital transformation and business credit guarantee, which could give a short- and long-term solution to support the recovery policy for most SMEs in Hong Kong.

6. Conclusion

The post-Covid economy will not resume business as usual, just as SMEs hoping to return to the old normal are unlikely to survive. SMEs need to be active by taking advantage of opportunities to rebuild their future success. While the Covid-19 crisis has created enormous challenges, it has also accelerated positive trends such as the digitization and greening of the SME sector. Policy action should take advantage of this opportunity window to support SMEs in increasing productivity and internationalizing through new tools and business models. It should also increase local markets' purchasing power, complementary technological capabilities, and opportunities to support SMEs in the community through technology capacity and access to SMEs in their communities.

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