

Message by Dr. Victor K. Fung

Good morning, Chief Secretary Mrs. Carrie Lam, Prof. Philip Chan, Prof. O'Toole, Prof. Ip, Prof. Shek, my good friend Po, professors, ladies and gentlemen.

Introduction

I feel both honoured and pleased to address this conference.

The Service Leadership Initiative (SLI) was formally launched in 2012. Involving all eight UGC-funded universities, I understand it was the first cooperation of its kind between them, and in that sense, a trailblazer in Hong Kong.

I see service leadership as a crucial competitive advantage for mature economies like Hong Kong, and service leadership education as the key enabler that underpins this competitive advantage.

Indeed, Po Chung believes service leadership education is the “Second Education Revolution”. He deserves full credit for why we are here today. Po has been incubating the concept of service leadership for many years, over many games of golf. Luckily for me, as his golfing partner, service leadership concepts have often mattered more to Po out on the green than a hole in one. So when the Fung Group planned to celebrate its 105th anniversary in 2011, I had no doubt that this was an excellent project to support. The rest is history.

Globalisation's Second Wave

In May 2014, when speaking at the first SLI conference, I pointed out the huge potential of the Chinese Mainland's service economy especially in light of the emphasis placed on services in the 12th Five-Year Plan, which concluded at the end of last year (2015). Under that plan, the target was for China's economy to move services from 43 to 47 percent of GDP in five years. Given the size of the Chinese economy, this represents a huge shift. According to the latest data, services now account for about 51.4 per cent of Mainland GDP. So we can see that China is moving full steam ahead with services development.

I would like to share with you another important trend. While emerging markets, like China, India, are expanding their economies, both in terms of size and composition, I believe a new era is dawning in the global economy with the rise of a new global middle class. This trend, which I call the globalisation of consumption, is driven by higher wages in China, India and other emerging economies that are new engines of global economic growth. According to the OECD, in 2009 there were 1.8 billion members of the global middle class, with about 500 million of them in Asia. This group will grow to 3.2 billion by 2020 and 4.9 billion by 2030. By this time, Asia will account for over 66 per cent of this population; in other words, Asia will have added nearly 3 billion people to the new global middle class.

This new global middle class will be a major consuming force, and will singlehandedly push Asia's share of global consumption to about 30 per cent of the global total, at which time it will be larger than either the US or Europe.

I foresee supply chains becoming much more nuanced. They will no longer flow mainly from East to West. China, for example, will be both a production country and a consumption country.

The rising global middle class is personally empowered as never before by digital and mobile technologies. Indeed, the internet and mobile communications are totally disrupting the way consumers behave and, in so doing, re-shaping the future of retail. Consumers have become more knowledgeable, more demanding and, more than ever, inspired by user experiences. In other words, consumers are demanding more and better services.

Embedded Value

Whether an end product is a service or a manufactured product, it is important to recognise that a large number of input services constitute an intrinsic and vital part of its value. They enter the picture at every stage of the production process, from conception through to design, pre-production activities, production and post-production. Post-production activities include branding, marketing, and selling.

However, detailed information on the bundled sources of value in products is hard to come by. In response to the challenge of shining light on the true sources of value in production, the Fung Global Institute (which is now renamed the HKU Asia Global Institute) undertook a project to identify the embedded service in products. Our studies showed just how large and varied the number of services is, and that these services often make up more than half of product value. The production of a loaf of bread, for example, requires 30 separate services from the pre-production to the retail stages, and these services constitute over 70 per cent of the cost of the loaf. The value chain for earth-moving equipment requires more than 70 services that constitute over half of the total value. Similar results emerge from the services sector, where the carriage of a passenger by air from Hong Kong to Singapore requires well over 60 services, from the most simple to the highly technical.

The quality of the services that are embedded in production is, in fact, what differentiates one product from another. This has significant implication for the producers and providers of goods and highlights the need to study, understand and teach services management.

Support for the Service Leadership Initiative is a contribution by the Fung Foundation to the important area of training our next generation of leaders in services. Our approach from the outset has been to encourage each of the eight universities to implement the principles of service leadership in their own way. I am very pleased to see from the diversity of materials prepared for this conference that this approach has found favour and taken root. Each university will present its own achievements and experience. Our hope, ultimately, is that the Service Leadership Initiative provides rewarding and life-changing curricula and experiences for our young people, and promising new horizons of research for our professors and scholars.

I wish to thank all the Principal Investigators and the universities who have contributed so much to this project. I understand this Initiative is set to take a slightly different format in the coming years. Prof. Shek is leading a team, with the help of all the other universities, that will develop an assessment tool for the impact of the Service Leadership Curriculum. On top of that, Po will continue to share his life-long research materials and thoughts on service leadership with younger professors from all the universities in a series of seminars.

I believe all this bodes very well for the future of service leadership education. Thank you very much.