

# Hong Kong's Cultural and Creative Industrial –an Analysis from the Perspective of “Porter Diamond Model”

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**Abstract:** Cultural and creative industry (CCI) plays an irreplaceable role in Hong Kong's economic development. The research analyzes Hong Kong's CCI by using Porter Diamond Model. The six elements, factor conditions, demand conditions, strategy, market structure and rival firms, related supporting industries and the role of government and chance are explored. Based on that, it is concluded that Hong Kong's CCI enjoys great advantages in capital, talents and technology. It is supposed to actively participate in construction of the Belt and Road Initiative and Guangdong-Hong Kong-Macao Greater Bay Area, consolidating the advantageous industries and exploring the different scales of cultural and creative development space.

## 1. Introduction

The cultural and creative industries (CCI) are among the most dynamic economic sectors in Hong Kong, contributing to both economic growth and job creation [8] [9]. There are 11 component domains of Hong Kong's CCI: art, antiques and crafts; cultural education and library, archive and museum services; performing arts; film, video and music; television and radio; publishing; software, computer games and interactive media; design; architecture; advertising and amusement service [10]. From 2005 to 2014, the value added of creative industries in nominal terms increased at an average annual rate of 6%, which is faster than the average annual growth rate of the GDP of Hong Kong at 5.4% [7].

Porter defined clusters as groups of interconnected, competing and interdependent firms, specialized suppliers, service providers, and institutions that exist in geographically concentrated areas [11]. Porter competitive advantage through clustering is the result of four interdependent determinants: factor conditions; demand conditions; strategy, market structure and rival firms; and related supporting industries [11]. These interdependent determinants can be influenced pro-actively by governments and chance. This research will adapt Porter's clustering model to analyze the competitiveness of Hong Kong's CCI. Both advantages and disadvantages will be discussed with the aim to provide the industry reference for future planning.

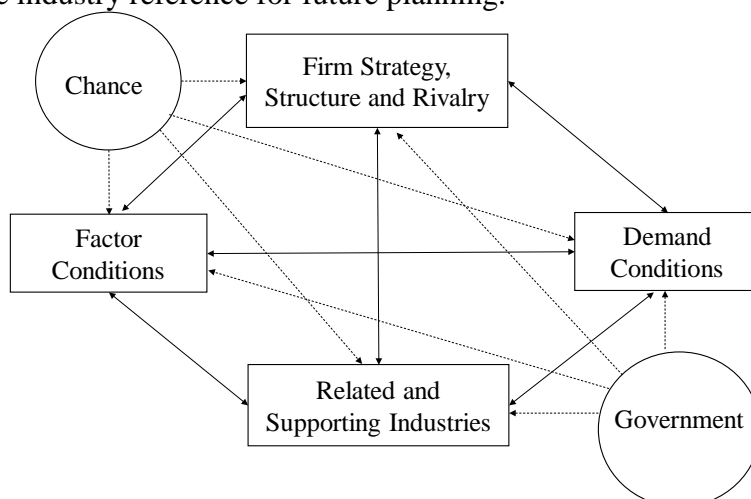


Fig.1 Porter's Diamond Model of Competitive Advantage (Modified from Porter, 1990; 1998).

## **2. Application of Porter's Model to Hong Kong's Cci**

### **2.1 Factor Conditions**

#### **2.1.1 Capital Element**

In 2009, the Hong Kong SAR Government established the HK\$300 million Create Smart Initiative (CSI) to provide financial support to initiatives that are conducive to the development and promotion of creative industries in Hong Kong. Over the years, a total of HK\$2 billion has been injected into CSI. In 2011, the Hong Kong Arts Development Council (HKADC) launched Arts Capacity Development Funding Scheme. Different funding programs were designed to nurture individual artists and arts groups with potentials, as well as to address their needs at various stages of their development [4].

#### **2.1.2 Talents Element**

Since 2009, the Policy Address has announced to promote arts in schools through the new senior secondary school curriculum. In 2018, HKADC launched a three-year program "Arts-in-School Partnership Scheme", fostering collaboration between local arts groups and schools [5]. Besides, the government has also continuously engaged in providing training and internship programs to the arts administrators. Creative industries professionals in music, digital entertainment and films served as one of the 11 domains that Hong Kong needs most appeared in the Talent List of Hong Kong in 2018 [6]. During 2007 to 2017, the number of employees in CCI achieved an average annual growth rate of 1.7%, which was faster than the average annual rate of increase of total employment in Hong Kong, at 0.9%

#### **2.1.3 Infrastructure Element**

The artists and designers in Hong Kong have large demand on creation establishments because of land shortage. Although there was some degree of clustering of creative establishments, it was hardly driven by the benefits that could be generated from synergy or clustering effects [2]. With the completion of revitalization projects like Jockey Club Creative Arts Centre (JCCAC), the Former Police Married Quarters (PMQ) and Nan Fung Textiles, the Hong Kong SAR Government has provided more creative spaces for the youth artists ranging from design services, fashion, household products and accessories.

#### **2.1.4 Business Environment Element**

Undergone two industrial transformations, Hong Kong put forward developing six industries with clear advantages, namely, medical services, education services, environmental industries, innovation and technology, testing and certification services, and cultural and creative industries. A decade past, the six industries have not achieved the desire goal than they are expected. In the Global Competitiveness Report 2019, Hong Kong ranks third overall, behind Singapore and the United States. Its weakness is limited capability to innovate. With a score of 63.4 (26th), it lags behind Singapore (13th) by 12 points [16].

### **2.2 Demand Conditions**

#### **2.2.1 Macro Economy**

In macroscopic view, the GDP in Hong Kong kept steadily increased from 2012 to 2017, in which the tertiary industry occupied over 90 percent for consecutive years. In 2016, the proportion of CCI output value in Hong Kong up to 4.5 percent, in which the increasing range of design industry over 300 percent. The sustained economic growth has contributed the large opportunities, promoting more consuming intention on CCI and other related services.

#### **2.2.2 Consumer Demand**

In 2017, cultural and creative goods amounted for 13.4% of Hong Kong's total exports of goods. The enterprises from mainland has large demand on CCI-related services, such as brand design,

product appearance design, interactive media design, etc. The local Hong Kong companies have unique design concept, featured by diverse idea of product planning, design and promotion, they are welcomed by the mainland market.

## **2.3 Related Supporting Industries Strategy**

### **2.3.1 Art Industry**

The Policy Address 2018 announced that Hong Kong is hope to be an international cultural metropolis grounded in Chinese traditions and enriched by different cultures. The government renders active support to the development of culture and arts. Among other initiatives, \$20 billion have been set aside for upgrading existing cultural hardware and building new facilities. Various cultural projects will be completed one after. This will help satisfy the long-term development needs in local culture and arts. On visual arts, the WKCD will boast two world-class museums, namely M+ and the Hong Kong Palace Museum.

### **2.3.2 Tourism Industry**

Since 2016, the government has put forward developing high-valued type of tourism (culture tourism, heritage tourism, ecotourism and creative tourism). Aiming at strengthening the tourist experience via holding creative exhibitions, West Kowloon Cultural District (WKCD) and the Former Police Married Quarters (PMQ) began to cooperate with famous artists, media and universities. A series of sci-tech exhibition, immersive art experience activities and creative market featured by different themes have been hold all through the year.

## **2.4 Market Structure and Rival Firms**

### **2.4.1 Enterprise Positioning**

Most enterprises in CCI in Hong Kong are small-scaled limited by land shortage, high-cost of labor, etc. Take design industry as an example, some local companies built factories in Southeast Asia for low-cost of manufacture, others cooperate with overseas' companions [12]. This business outsourcing mode highly improved the operating effectiveness.

### **2.4.2 Market Strategy**

The local cultural and creative brand prefer inviting famous performing artist to advertise their products. Each year, Hong Kong Fashion Week holds a series of cultural activities and forum, through which the CCI's practitioners, consumers and local citizens will be invited together. Simultaneously, some non-profit making and self-financed organizations like Hong Kong Fashion Designers Association (HKFDA), Hong Kong Society of Architects (HKIA) have played an irreplaceable role in uniting talents and elites with both professionalism and expertise [13] [14].

## **2.5 The Role of Government**

### **2.5.1 Relevant Policy-Making**

The Hong Kong SAR Government has attached great importance to talents cultivation and creative brand promotion. Each subordinate department is entitled by well-defined power and responsibility. Home Affairs Bureau is responsible for supporting and promoting the development of the arts, culture, sports and recreation, preservation of cultural heritage and beautification of the environment [17]. Commerce and Economic Development Bureau (CEDB) is engaged in CCI-related policies coordination. Based on the Policy Address in last decade, it can be found that the CCI strategies that the government applied are diversified. No matter building cross-community cultural center, cooperating with intangible cultural heritage workshop and popularizing Reading Week among the citizens, all the activities contributed to the enhancement of CCI's social effect.

### **2.5.2 Intellectual Property Protection**

The financial budget on public service in cultural and creative field occupies a big proportion annually. In terms of intellectual property protection, the Commerce and Economic Development

Bureau (CEBD), Intellectual Property Department and Customs and Excise Department (CED) are responsible for policy making, lawmaking support and law enforcement respectively. The right and responsibility of these three independent segments are well-defined, in which a well-established system of intellectual property protection is formed. Further, the equal justice and modern legal spirits has ensured cost transparency of enterprises in CCI field, which is helpful to fair competition.

## **2.6 Chance**

### **2.6.1 One Belt One Road Strategy**

China's 13th Five-Year Plan put forward supporting Hong Kong to strengthen its status of global offshore RMB transactions hub, promoting commerce and trade, logistic, professional services towards high-value added lines [15]. Hong Kong's CCI has high complementarity with the countries and regions along the "one belt one road" route, which is easier to form the synergistic effect in terms of industrial structure. Famous by film, music, games and digital services, the cultural and creative products made by Hong Kong enjoy fast propagation speed in Southeast Asian market. Thus, it can be judged that there exists large market space to be developed in the globe, particularly along the "one belt one road" region.

### **2.6.2 Guangdong-Hong Kong-Macao Greater Bay Area Construction**

Guangdong-Hong Kong-Macao Greater Bay Area is one of the most competitive regions in China. The Pearl River Delta mainly focuses on developing advanced manufacturing and modern service industry, and the tertiary industry is the pillar of the economy in both Hong Kong and Macao. In recent years, the CCI of Pearl River Delta is experiencing upgrading and transformation, and correspondingly Hong Kong and Macao's CCI need external diversified market. Obviously, integrating production elements of industry chain, optimizing the resource allocation, accelerating talent flow and amplifying intellectual property protection regulations is the natural choice that archive the CCI's co-prosperity in the whole Greater Bay Area.

## **3. Suggestions on Improving the Competitiveness of Hong Kong's Cci**

### **3.1 Strengthening Integrative Development with Related Industry**

Tertiary industry serves as the pillar of Hong Kong's economy. Hong Kong's CCI is supposed to select an integration development path to guarantee its sustainability. Specifically, the existing creative establishments such as Wan Chai Ani-Com Park, PMQ, have attracted a group of youth and families with children. To take PMQ as an example, although the duration of stay of visitors lasted 1 to 3 hour(s), the unique and memorable creative activities in PMQ still attracted the attention of tourists whose original purpose is shopping before they came to Hong Kong [1]. The current hot spots are considered to launch a series of experiential activities and promotions, leading the tourists to have true cost on creative tourism. Last but not the least, Hong Kong Trade Development Council (HKTDC) is supposed to set creative theme for some convention and exhibitions, and correspondingly creative design forum, small-scaled CCI expo, fashion week for students session and creative barter market can be organized all throughout the year.

### **3.2 Cultural and Creative Space Development**

Hong Kong is inadequate with land supply. However, it will take a long time to have historical buildings' revitalization. Thus, it is suggested that the government can adjust the space rate between public exhibition area and the renting commercial area, providing curators and original designers with more creation space. Besides, cultural and creative experiencing activities organized by youth and grassroots can be held in community libraries, street parks, public art galleries and cultural museums during different period of time. In addition, it is encouraged local universities and design association to cooperate with the science parks and industrial buildings nearby, providing students and young designs with more creation and design space.

### 3.3 Cultural Community Construction

CCI in Guangdong Province enjoys strong industry radiation and high degree of integration. Nevertheless, talents and elites with practical creative ability are in short supply. The economic structure in Macao is relatively simple, correspondingly the CCI's market size is small [3]. Hong Kong's land developing is approaching saturation, whereas market operation mechanism and legal environment is the greatest strength.

Cultural community construction in Guangdong-Hong Kong-Macao Greater Bay Area should start with film, design and anime industry to create cultural intellectual property, in which Hong Kong could play an irreplaceable role in acquiring high-quality resources from NGOs and industrial associations. Hong Kong's advanced experiences in creative industry operation and legal service can be learned into the establishment of CCI system in Greater Bay Area, particularly in the Intellectual Property Protection Hub & Platform building. As for CCI, it is imperative to protect original works and fight against piracy copies in an open and transparent legal environment via modern judicial system,

### 4. Conclusion

The research applied the Porter Diamond Theory into the study of competitiveness of CCI in Hong Kong, putting forward the suggestive thinking on the future development. It is conclude that Hong Kong enjoys both advantageous labor, capital conditions and huge market demand. The CCI and its related industry has great potential to be developed. Restricted by land shortage, high labor-cost and inadequate innovative impetus, the strong competitiveness formed in the past has suffered the weakened situation. Thus, it is imperative to consolidate CCI's advantages, playing the role of "Super Contact" in the cultural community construction of Guangdong-Hong Kong-Macao Greater Bay Area. Simultaneously, Hong Kong should attach importance to cultural and creative space developing, festivals, exhibitions and big events holding, the sustainable development atmosphere building.

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