

The Three Rs: Subjects No Business Can Ignore
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Good morning Ladies and Gentlemen. It is an honour to be invited here to provide the perspective of business. I want to thank the Central Policy Unit for the invitation.

My plan today is to focus on three main subjects. Subjects that each begin with the letter R, hence the title of my talk. The three Rs in this case are: roles, relationships and responsibilities. First, however, let me begin with a historical diversion.

Over the years I have accumulated many fond memories of Hong Kong. But I also have one not-so-fond memory that I want to share with you. In fact, it was not long after HSBC transferred me to Hong Kong the last time that I saw the ugly side of Hong Kong for the first time.

The year was 1992. It was a time when services for certain sectors of Hong Kong society were deemed to be lacking. A time when adults with a mental handicap, for example, had to wait for 10 years or more for a place in a residential facility dedicated to their needs.

At the Tung Tau housing estate in Wong Tai Sin, it was also a time of violent confrontations. Clashes between police and a small but vocal group of residents who were trying to prevent a hostel for adults with a mental handicap from opening in their neighbourhood.

There were reports of death threats being made. Of young children being used as shields to try to break through police barricades. Of bricks and chunks of ice being thrown at riot police. Of windows being smashed. And of ominous banners being hung on the outside walls of the proposed hostel.

Construction of the facility was delayed several times as the Social Welfare department and The Hong Kong Association for the Mentally Handicapped - as it was called then - attempted to overcome the blatant discrimination. During this period the Government stood firm, saying the hostel would be built with or without the blessing of residents.

The media was also supportive. In an open letter addressed to the so-called "defenders of Tung Tau Estate", one columnist sarcastically said: "I have been into a hostel for the severely mentally handicapped. Fear not, it was miles away from you, in Kwai Chung, in the centre of Lai Yiu Estate where the resident pedestrians were showing no signs of anxiety."

An editorial at the time noted: "it is a sad reflection on a society which aspires to be a modern developed economy to behave with the kind of prejudice towards the mentally handicapped and the formerly mentally ill that has been on display in recent days."

A sad reflection indeed.

A point of disclosure before I go any further. My organisation was directly involved in the troubles at Tung Tau. The Bank's charitable trust - The Hongkong Bank Foundation - was in fact the principal donor for the project, providing close to HK\$10 million to establish the hostel and a related training centre.

When the two facilities were eventually opened, the then chairman of the Bank, John Gray, acknowledged that some may think it is "rather strange for a bank to give money for accommodating and training people who are mentally handicapped."

He went onto explain that HSBC hoped the project would become a catalyst for other such facilities in other neighbourhoods. And it did. Since that time the Government and the Hong Chi Association - as it is now called - and others have opened similar facilities elsewhere in Hong Kong. Thankfully most of these other projects have been positively received by neighbouring residents.

I have taken the time to highlight what happened at Tung Tau because it provides a good illustration of a key role that companies can play in the community: namely being a catalyst for change. There are, of course, many other roles for business. Companies can do everything from providing one-off cheques to regularly sponsoring charity-based initiatives to establishing long-term partnerships with specific third sector organisations.

Consider Hong Chi. HSBC was a long-time donor to the Association well before the Tung Tau project came along. And today we continue to give Hong Chi funding for a variety of initiatives, including a teacher exchange programme between Hong Chi's schools in Hong Kong and similar schools in the Mainland. Over the years we have committed more than HK\$15 million to various Hong Chi projects.

Beyond giving financial support, we also give time. Or perhaps more accurately: our staff give time, their own free time. On many weekends you will find a group of HSBC staff - Wayfoong Volunteers as we call them - at Hong Chi facilities. They may be there to take the residents on an outing or to play a little basketball or to tutor or to help with some painting and decorating work.

The point I want to make is that the roles businesses play tend to be multi-dimensional. The roles tend to change depending on the particular project and the particular third sector organisation a business is working with.

The roles also tend to evolve over time, all of which brings me to the second R-word on my list: relationships.

All in the family

Some see relationships between business and government and the third sector as opportunities for collective collaboration on a number of levels and to varying degrees.

For example, a business can have a relationship with a third sector organisation that is purely reactive and strictly philanthropic. Providing money in response to requests from non-profits on a case-by-case basis.

Or a business can move to the next stage, to what some experts call a 'transactional' relationship - getting involved in activities that provide measurable value for both parties. Employees from a company may share their business expertise with a third sector organisation and in exchange gain new people skills. Another example is cause-related marketing, where a business agrees to donate a certain percentage of product's profits to a specified charity anticipating that sales of the product will rise as a result.

The third and ultimate level - again according to the experts - is the so-called 'integrative stage'. The point at which the values and strategies of the non-profit and the business are shared and the culture of each organisation is directly influenced by the other.

Others view tri-partite partnerships as more of a symbiotic relationship. That is, it provides benefits to all parties that they cannot necessarily obtain on their own. For example, governments maintain an environment in which businesses can succeed. Successful businesses in turn provide funds which enable third sector organisations to fulfil their objectives. Third sector organisations in turn help the government to deliver services to the community. And so on.

Personally, I tend to see the relationships between business and government and the third sector in the context of one big family - with all the same complexities and complications.

In a typical family - at least a typical family with two or more people! - there are differences of opinions as well as occasional disagreements and even the odd argument now and then. Typically family members know each other quite well, including how to press each other's emotional buttons.

In a typical happy family, ongoing communication is critical, even if some members of the family are harder to communicate with than others. And listening to what others have to say is also vital, even if it means hearing things you do not necessarily want to hear.

One last important characteristic of a typical family is that they tend to rapidly set aside any and all differences whenever something threatens the family unit.

If you pause to think about it, there are several parallels between Hong Kong and a typical family.

Like any typical family, Hong Kong has many different members, including all the groups represented here as well as others such as regulators, the media and consumers. Each tends to have their own special interests, their own views on how to improve family dynamics and their own ways of expressing such views.

Like any typical family, we also tend to do a pretty good job of pulling together if a threat comes along. Even if the threat is atypical as it was last year.

Like any typical family, we also tend to look at each other from our own biased points of view. For example, businesses may agree with the general direction government is taking but think it could be more efficient, more business-like. Likewise, business may see third sector organisations as meeting vital needs of the community that would otherwise not be met but also believe they are not necessarily focused on achieving measurable results.

Government on the other hand may consider business to be important and influential members of the family but at the same time they might see us as being self-centred. Government may view the third sector as playing a complimentary role in providing key services but also see it as being purely mission-driven.

Third sector groups meanwhile might see government as being quite good at policy development but too rigid when it comes to the delivery process. And they may think the business sector does an admirable job of supporting community causes year after year but that we can also be rather demanding. "Direct and blunt" is how one third sector organisation described HSBC recently.

Finally, like any typical family, we do not always agree. Last week's march being a case in point.

It is - as the Hong Kong Government acknowledged prior to the 1st of July - "understandable" that the public wants to be included in the political and policy making process. Our Chief Secretary went as far as to say such desires "should be applauded as a sign of progress." I agree.

And I agree that it is "natural to have differences in opinion" as one Mainland official noted a few weeks ago.

I also believe it is important to ensure that such differences of opinion do not overlook the fact that there is nothing wrong with agreeing to disagree. And to then go on to have rational and constructive conversations about what is best for the whole family. Other families do it all the time. We can too.

Membership has its responsibilities

The third and final R-word on my list is responsibilities. Every member of every family has them. Hong Kong's is no different. That said, I am not going to attempt to speak for government or for third sector organisations as to what their respective responsibilities are. What I am going to do is talk about the responsibilities of business. Three in particular stand out.

The first responsibility of business is to be sustainable and competitive but most importantly profitable. In other words, the prime responsibility of any business is to make money.

This may sound ruthlessly pragmatic, but in the immortal words of Peter Drucker: "a business that does not show a profit at least equal to its cost of capital is socially irresponsible."

Or to put it another way - in the less-than-immortal words of this banker - bankrupt companies don't tend to make a lot of donations to the community.

The second responsibility of business is to satisfy its various stakeholders. From shareholders who want and deserve a return on their capital to customers who want low cost and efficient services. From employees who want to feel good about the company they work for to society in general which has certain expectations for businesses.

The third responsibility of business is to enhance the communities where they operate. Some companies talk about the need to give back to the community, almost as if they have taken something away. I prefer to see businesses as contributors to the community, to the family. Certainly a key part of being a successful international business is being seen as a force for the good.

Whilst on the subject of responsibilities, there have been some suggestions recently that businesses in Hong Kong should perhaps get more involved in politics. Clearly this is an individual business decision. Many companies and the people who run them are already indirectly involved directly in politics. By this, I mean they offer their feedback and opinions collectively through chambers of commerce and other business associations.

HSBC, for its part, follows what could be described - for lack of a better term - as a 3P approach. Namely, we participate in public policy but not politics. In fact over the years we have been involved in various such initiatives aimed at helping Hong Kong evolve into what it is today.

Some of these initiatives are well known, others less so.

We were, for example, an original donor to the University of Hong Kong way back in 1909. After the Second World War, we became a majority shareholder in the South China Morning Post and helped start up the Far Eastern Economic Review. We were also a founder member of the Business Environment Council.

More recently, we took a very public position on the future management of one of Hong Kong's major assets: our harbour. And just over two weeks ago, we launched a programme to help all small and medium-sized businesses in Hong Kong implement socially and environmentally responsible business practices.

In terms of politics, however, we believe it is inherently difficult - and not particularly prudent - for a multinational organisation like HSBC to be directly involved in political issues. We are quite conscious of the fact that while we operate in 79 countries and territories, we are by definition guests in at least 78.

We also have a long-standing policy of not making donations to political parties. It is a stance we apply across our Group, even if new acquisitions have a history of making such donations. For example, when we acquired Household International, the company was a regular contributor to American political parties. They are no longer.

Obviously different companies will have different views on this subject. But as I noted earlier, it is also entirely appropriate to be able to agree to disagree.

One rather obvious option to increase involvement, I suppose, is for the aforementioned chambers, trade associations and others to contribute more to public policy development through research, position papers and such. In other words, do our small part collectively to help the whole family have a more informed conversation about the future.

Conclusion

In concluding let me go back to where I began my speech - back to Tung Tau.

In April 2000, I had the pleasure of attending the fifth anniversary celebrations of the Tung Tau Hostel and Fung Tak Training Centre. The contrast to the earlier confrontations was remarkable. I did not see any evidence of the ignorance or prejudice that was so prevalent in 1992 and 1993. Suggesting that either attitudes have indeed changed or the original protestors have moved and taken their misconceptions with them. Hopefully it is the former rather than the latter.

What I saw was an enthusiastic group of hostel residents, marking five years in their own dedicated facility. I also saw a number of guests from the Tung Tau housing estate who were enjoying the festivities . . . neighbours celebrating with neighbours.

In other words, what I saw was the successful end-result of government, business and the third sector working together on a common cause. What I saw was good.