

20 March 2024

HSBC DIGITAL HORIZONS REPORT: SMEs ARE PREPARED FOR EMERGENCE OF NEW TECHNOLOGIES

*** Business owners expect emerging technologies will play a role in cybersecurity protection and cost management ***

*** Only one-third of Hong Kong SMEs are familiar with generative AI ***

Small and medium enterprises (SMEs) are growing more confident in their ability to keep up with new technologies, according to a new HSBC report – *Digital Horizons: How emerging tech will shape tomorrow's business*. About three quarters (72 per cent) of SMEs in Hong Kong feel prepared for the emergence of new technologies in the next 12 months, and this percentage increases to 86 per cent over the next 5 years and 90 per cent over the next decade.

Business leaders in Hong Kong recognise the potential of new technologies hold for driving growth and safeguarding their business. They anticipate technology to help them with cost reduction (26 per cent), upgrading security protection (25 per cent), building competitive advantage (24 per cent) and enhancing customer service and experience (24 per cent).

In the Hong Kong SAR Government 2024-25 Budget, HKD3 billion will be allocated to launch a three-year Artificial Intelligence (AI) Subsidy Scheme. The initiative aims to support local universities, research institutes and enterprises to harness the power of AI. In fact, only one-third (35 per cent) of the surveyed businesses in the city are familiar with generative AI, but 88 per cent believe this much-discussed technology will create opportunities.

Christina Ong, Managing Director, Head of Business Banking, Commercial Banking, Hong Kong, HSBC, said: "Emerging technologies are leveling the playing field for SMEs by democratising access to tools and capabilities previously exclusive to larger businesses. But the key to unlocking these benefits is recognising and understanding what technology can do, and how it can be integrated effectively into SMEs' strategies and operations. In Hong Kong, technological advancements can help smaller businesses address key priorities such as cybersecurity protection and cost management."

According to the survey, the top three technologies that Hong Kong SMEs plan to invest in are blockchain (62 per cent), machine learning (61 per cent) and robotic hardware (60 per cent). However, many respondents (31 per cent) have identified cost and investments needed for new systems,

platforms, and upskilling the workforce as the biggest challenges in adopting new technology and digital solutions.

Business owners in Hong Kong are building a future ready workforce amid rapid technological advancement: 89 per cent said their finance function will need to hire or train different skillsets in the future, and 88 per cent are exploring new ways of working with the application of new technologies and putting greater emphasis on hiring talent with data analyst skills within the finance function.

Christina added: “SMEs in Hong Kong intend to harness the power of blockchain and automation to improve payment safety and lower cost, aligning with their cybersecurity and cost control objectives. Meanwhile, they appreciate the role of human in identifying technologies that will drive genuine growth and efficiency within their organisations. By combining technological advancements with human expertise, SMEs in Hong Kong are poised to thrive in the ever-changing business landscape.”

Collaboration has been identified by the HSBC Digital Horizons report as fundamental to business success in the coming 10 years. Most Hong Kong-based business leaders agree that collaboration within their organisation is key to success (87 per cent). A majority also agree that more collaboration outside their own sector (86 per cent), and international partnerships and networks (84 per cent) will drive growth.

The report also highlights that 94 per cent of SMEs in Hong Kong believe it is important to have human interaction within a digital corporate banking world. About one-third of the respondents (35 per cent) want human guidance in bringing innovative ideas and solutions and providing customised financial advice for their companies.

ends/more

Note to editors:

Methodology

The research was conducted online by Toluna, who surveyed a sample of 2,900 C-suite or business decision makers, between 13th November and 18th December 2023. All participants are aged 21-65, employed by companies with an annual turnover of US\$2.5-50m, have banking, finance, insurance or accounting as a job responsibility and are either sole decision-makers or involved in the decision-making process for business banking products and services. Respondents are based in mainland China (300), Hong Kong (534), India (304), Mexico (318), Singapore (305), UAE (302), UK (527) and US (310). Weighting has been applied to the data to ensure that each market is equally represented at the global level.

HSBC DIGITAL HORIZONS



The percentage of Hong Kong SMEs who are confident in their ability to keep up with new technologies grows over time



Over the next 12 months



Over the next 5 years



Over the next 10 years

TOP 3

drivers for
Hong Kong
SMEs to adopt
new technology



**COST
REDUCTION**



**SECURITY
PROTECTION**



**BUILDING
COMPETITIVE
ADVANTAGE**



BLOCKCHAIN



**MACHINE
LEARNING**



**ROBOTIC
HARDWARE**

TOP 3

emerging
technologies
Hong Kong
SMEs plan
to invest in

The Hongkong and Shanghai Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited is the founding member of the HSBC Group. HSBC serves customers worldwide from offices in 62 countries and territories. With assets of US\$3,039bn at 31 December 2023, HSBC is one of the world's largest banking and financial services organisations.

ends/all