



The status and influence of Hong Kong financial enterprises in global value chain governance

-- A case study of HSBC

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Abstract. Global value chain governance aims to ensure the fair and sustainable development of all participants in the global value chain, and financial enterprises play an important role in the development of global value chain transformation. Taking HSBC as the research object, this paper attempts to summarize the historical genes of Hong Kong's financial development and explore the status and influence of Hong Kong's financial enterprises in the current global value chain, with a view to providing important reference and guidance for Hong Kong's financial enterprises to make strategic decisions in the context of globalization and to help other regions formulate development strategies in combination with their regional advantages in the context of economic globalization.

Keywords: Hong Kong, financial enterprises, global value chain, HSBC

1 Introduction

1.1 Concept of global value chain

According to Porter, a value chain is a set of activities ^[1] that companies operating in a particular industry perform to provide valuable products (i.e., goods and/or services) to their end customers. Today, the concept of the value chain continues to expand and has been extended beyond the company. It can be roughly divided into three levels: enterprise value chain, industry value chain and global value chain ^[2]. The global value chain refers to the dynamic system formed by the function and interrelation of each link of commodity design, production, reserve, circulation, distribution, transaction, consumption and auxiliary service in value creation in the world.

The global value chain is of great significance to multinational enterprises. It can directly show the value generation and transfer of goods or services in the whole pro-

cess from production and packaging to consumption. For example, SWOT analysis can be used to extrovert the logistics function to understand its strengths and weaknesses and opportunities to improve the area or to identify threats to key parts of the value delivery system^[3].

However, how to eliminate investment barriers, improve the investment environment, achieve regional prosperity and industrial development through investment, and even help enterprises obtain new competitive advantages in the global market are important issues facing international investment in the context of global value chain division.

1.2 Research Background

In recent years, the concept of global value chain governance has gained significant attention in the business and academic communities. The emergence of global value chain governance can be attributed to various factors. With the increasing globalization of trade and the rapid development of information and communication technologies, the traditional linear supply chains have transformed into complex networks involving multiple actors across different countries. Based on the empirical analysis of the competitive advantages and disadvantages of major commercial banks, scholars conclude that the strength of activities along the value chain affects the core competitiveness of commercial banks.^[4]

1.3 Research Objectives and Problems

The concept of value chains was initially introduced by Michael Porter in 1985. Porter defined the value chain as the coordination of various activities within a company and the creation of value through interactions with external suppliers and customers.^[5] Later, John Shunk added to the description of value chains, expanding it to encompass the entire process from obtaining raw materials from initial suppliers to delivering final products to end-users.^[6] Peter Hine further expanded the concept by incorporating various enterprises involved in production-related activities.

With the further development of information technology, the concept of virtual value chains was proposed by professors Jeffrey Rayport and John Sviokla from Harvard Business School in 1995. It has been widely applied in various economic domains and considers the value chain as not only a management analysis tool but also a business strategy.^[7] Building upon Porter's theories, Stephen Gereffi introduced the concept of Global Value Chains (GVCs) and emphasized the analysis and research of value chain organization and evolution on a global scale. Gereffi viewed GVCs as complex networks formed by the interconnection and interdependence of companies and suppliers across different stages of the chain.^[8]

Scholars have conducted extensive research on GVCs, focusing on several key areas:

1.3.1 Organization and evolution of GVCs.

Researchers have examined the organizational forms of value chains within different industries and regions, such as vertical integration, cooperative partnerships, and division of labor among multinational corporations.

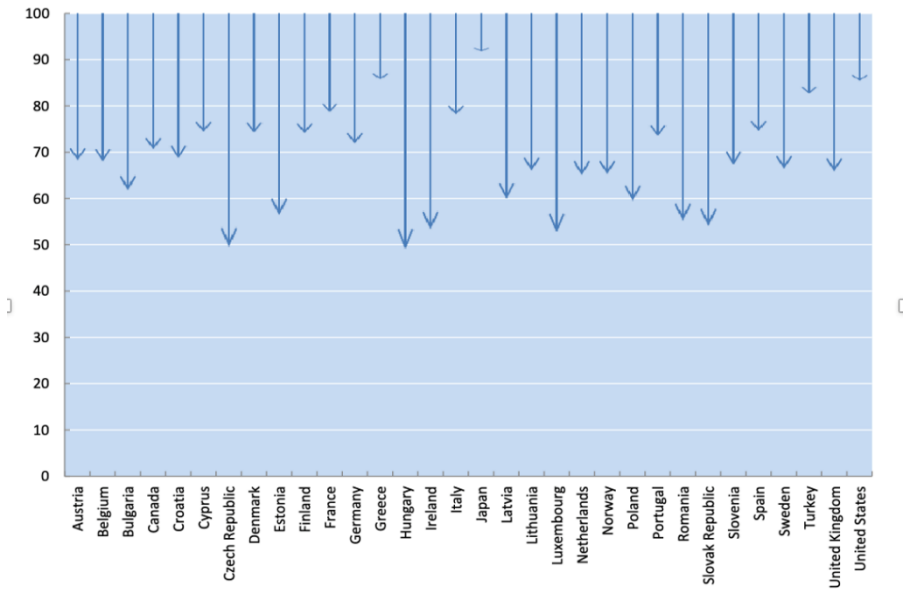
1.3.2 Power and distribution of interests within GVCs.

This area explores the negotiation and cooperation between multinational corporations and suppliers, as well as the corresponding contractual arrangements.

Additionally, some scholars have investigated the regulations and policy environments within GVCs, exploring the influence of international institutions and national policies on global value chains. [9]

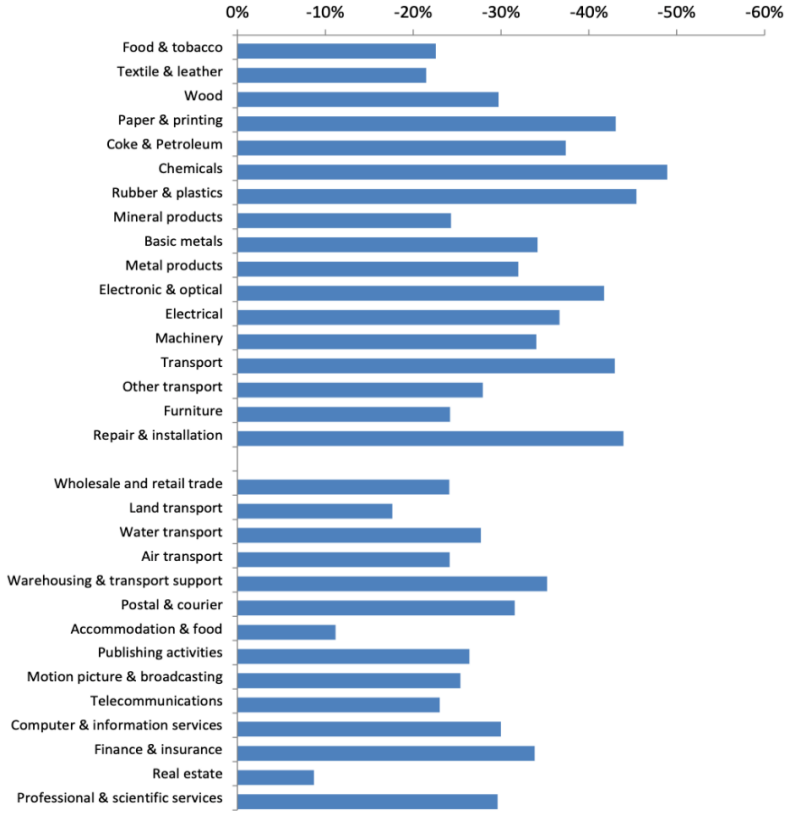
1.4 Driving force of the financial sector on GVCS

Financial enterprises play an important role in the transformation and development of global value chains. With the deepening of economic globalization, economic links between countries have become increasingly close, and global value chains have become increasingly complex. By providing financing, risk management, consulting and other services, financial enterprises have provided strong support to enterprises and promoted the smooth operation of global value chains.



Source: Calculations based on the OECD Analytical AMNE database.

Fig. 1. Percentage decline in GDP of some countries after excluding foreign investment



Source: Calculations based on the OECD Analytical AMNE database

Fig. 2. Percentage decline in output value of each industry excluding international investment

As shown in Figures 1 and 2 if international investment is excluded, leading to the disappearance of foreign-owned enterprises or branches of foreign enterprises in all industries and countries, world GDP will fall by more than 20%. This proportion would be even greater if the impact of foreign firms or multinational subsidiaries on upstream and downstream suppliers and customers is taken into account.

In the future, financial enterprises, especially large multinational financial enterprises, will play a more irreplaceable role in the transformation and development of global value chains. By providing financing, risk management, consulting and other services, financial enterprises can help enterprises with internal operations in specific regions to achieve global transformation and help enterprises with multinational business to better mobilize global resources and connect with global markets, which effectively promotes the coordinated development of global value chains. In the long run, the further integration of the global economy is inevitable, and the role of financial enterprises will become more important. It is necessary to constantly innovate and improve the service level and awareness to better adapt to and lead the transformation and development of global value chains.

2 Research on the value chain competitive advantages of HSBC Hong Kong

2.1 Overview of HSBC

HSBC Corporation (HSBC) is a global financial services company founded in 1865 and headquartered in London. In its early days, HSBC mainly served the Asian trading market, and in the past few decades, it has expanded into a global financial institution. Today, HSBC has a global presence in over 70 countries, making it one of the largest banks in the world. HSBC Bank, as a major global financial institution, plays a crucial role in global value chain governance transformation. It leverages its unique strengths and resources to support clients in navigating the challenges and opportunities presented by the evolving global business landscape. HSBC utilizes its extensive global network and financial service capabilities to assist clients in formulating strategies that align with the demands of globalization.

Furthermore, HSBC Bank's involvement in global value chain governance goes beyond commercial interests. It actively explores strategies and practices that promote regional cooperation and coordination, aiming to enhance the overall benefits and sustainable development of global value chains.

2.1.1 Business philosophy and value creation process of HSBC Hong Kong.

HSBC Hong Kong, as part of the HSBC Group, has a deep history and a global vision. Its business philosophy is based on the principles of "openness, dependence and innovation", and it is committed to providing first-class financial services to its customers.

As a global bank, HSBC Hong Kong has extensive expertise and experience to provide high value-added professional services and diversified financial products to meet the different needs of customers around the world. Including personal banking, commercial banking, investment banking and wealth management, these financial solutions are well equipped to achieve economies of scale and optimize resource allocation. In addition, with the advantage of its global network, HSBC provides customers with the convenience of cross-border transactions and investment. Through the efficient operation model and innovative technology platform, the bank has realized the intensification and automation of business. This allows the bank's business to be run at lower costs and with higher efficiency to minimize costs while providing products and services, thereby increasing value creation capabilities. The most important thing is HSBC's focus on building long-term solid customer relationships, constantly understanding customer needs and providing personalized services in its interactions with customers. By working closely with customers, HSBC is able to better grasp market opportunities, provide products and solutions that meet customer expectations, further enhance customer satisfaction and enhance customer loyalty, and thus achieve more value creation.

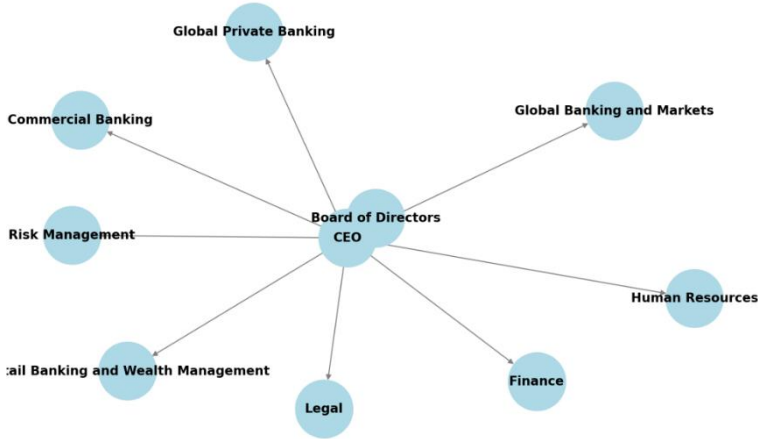


Fig. 3. Business Distribution of HSBC

2.1.2 Organizational structure and business development of HSBC Hong Kong.

As shown in Figure 3 at the top of HSBC is the Board of Directors, which consists of 24 directors, including 8 executive directors, 3 nonexecutive directors and 13 independent nonexecutive directors, who are jointly responsible for formulating the overall strategy and policy. The board of directors has a number of committees, including audit committees and risk committees. The next level of the board is the Group Chief Executive Officer, who is responsible for the day-to-day operations of the bank. Below the CEO, HSBC has four main business units: retail banking and wealth management, commercial banking, global banking and markets, and global private banking. These divisions are responsible for managing and operating different types of banking businesses. HSBC also has a number of functional departments, such as human resources, legal, risk management, and finance. These departments provide critical support and services throughout the organization.

name	Personnel composition	Main function
Administrative committee	There are 8 executive directors and 6 General managers	To discuss and decide on specific administrative matters of the Group
Audit committee	The group consists of five non-executive directors	Regular meetings are held with senior management of HSBC's finance, internal audit and audit departments, as well as external auditors, to assess HSBC's financial reporting, review the nature and scope of its business, and discuss the efficiency of its internal control and audit system
Compensation committee	It consists of three independent non-executive directors	Hold regular meetings to formulate the Group's human resources policy, and coordinate arrangements for staff employment conditions, remuneration, retirement benefits, career development of outstanding employees and handover plans for key positions
The Nomination Committee consists of four directors		Responsible for submitting nominations to the Board of Directors in the event of vacancies on the Board. The nominees of the nominating Committee shall be elected by vote of the general meeting of shareholders for a term of three years

Fig. 4. Organizational structure chart of HSBC

Figure 4 show the Leadership positions at HSBC and their responsibilities. Under the multitier holding model, the major subsidiaries of the HSBC Group are bound by strong shareholding relationships. At the same time, the first tier of the HSBC Group is composed of commercial banks, financial holding companies, investment banks and insurance holding companies. Other subordinate main operating institutions include commercial banks, insurance companies, investment banks, securities trusts, etc. Under these global businesses, HSBC expands its international corporate development route. Actively expand the Asian market and promote digital transformation. In particular, the business of HSBC in Hong Kong has improved operational efficiency and optimized customer experience by introducing technologies such as AI and big data.

2.1.3 HSBC Hong Kong's positioning and role in the global value chain.

In the global value chain, HSBC Hong Kong serves as a bridge. From a geographical perspective, as an important international financial center, Hong Kong connects economic entities from different countries and regions. Combined with its unique geographical location and free market system, HSBC provides many opportunities and advantages to assist them in international trade and investment. This is mainly reflected in the following aspects:

a) As one of the world's largest trade and financial centers, Hong Kong enjoys an open economic environment and a highly liberal financial system. This enables HSBC Hong Kong to connect to various major markets around the world through its global business network and provide customers with a comprehensive range of financial services, including international trade financing, cross-border capital flows, and foreign exchange transactions.

b) As a bridge between mainland China and international markets, Hong Kong plays a unique role for HSBC in the global value chain. As a platform for exchanges between mainland China and the rest of the world, Hong Kong has not only attracted a large number of international enterprises to set up offices and branches here but also become a gateway for the internationalization of mainland Chinese enterprises. As one of the largest banks in Hong Kong, HSBC is able to make full use of this advantage to provide domestic and foreign financial services support to mainland Chinese enterprises, help them expand their global business, attract investment and cross-border mergers and acquisitions, and thus promote the development of Hong Kong and the global economy.

c) As an international financial center, Hong Kong has a stable legal environment and an effective financial regulatory system. This has provided HSBC with a sound legal guarantee and risk control mechanism, which has attracted a large amount of international capital and investors to conduct business transactions. The stable operation of HSBC in Hong Kong has also enhanced the trust and recognition of investors and customers, thus making it more competitive in the global financial market.

In general, HSBC Hong Kong is not only an important participant and promoter of global trade finance activities but also a bridge and link between mainland China and the international market. Hong Kong's geographical location, unique financial environment and legal system enable HSBC to provide a wide range of financial products

and services worldwide, facilitating international trade and investment and thus promoting the process of economic globalization.

2.2 Value chain analysis of HSBC

2.2.1 Competitive features of HSBC in Hong Kong's financial services value chain.

As shown in Figure 5, in the Hong Kong financial services value chain, HSBC has demonstrated significant competitive characteristics. First, its strong global network gives it an advantage in serving multinational clients. Second, strong financial strength and a broad product portfolio enable it to meet the various financial needs of its customers. In addition, HSBC's experience and technology in risk management are also competitive advantages. According to the 2022 report, HSBC ranked among the top three in terms of market share in Hong Kong, showing its strong competitiveness in the city's financial market. Its wide range of products and services, including personal banking, commercial banking, global banking, asset management, etc., have also demonstrated its competitive advantages in different value chain links. However, HSBC also faces many competitors. Chinese people generally identify more with the four major domestic banks. Influenced by inertial thinking and salary accounts, many customers' assets are mainly concentrated in Bank of China, Agricultural Bank of China, Industrial and Commercial Bank of China, China Construction Bank, etc., rather than choosing HSBC. In addition, the new generation of people's preference for capital savings style has changed, the number of bank branches is increasing, and the number of target customers is decreasing, forming a situation of more than enough to satisfy the demand.

<p>Strengths</p> <ol style="list-style-type: none"> 1. Brand image, excellent service 2. Real-time global transfer service 3. Professional team 4. Reliable financial products 	<p>Weakness</p> <ol style="list-style-type: none"> 1. Complex business and slow strategic transformation 2. High business risk 3. Brain drain leads to customer drain
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Foreign investment facilitation by national policy 2. Improving the quality of domestic residents 3. Supervision is becoming stricter 4. Economic development leads to strong market demand 	<p>Threats</p> <ol style="list-style-type: none"> 1. The number of competitors increases 2. Alternative products and services 3. Banks are vulnerable 4. Frequent financial crimes

Fig. 5. SWOT analysis chart of HSBC

2.2.2 Core competitive elements and capabilities of HSBC.

According to the 2022 annual report, HSBC's capital adequacy ratio stood at 14.6%, much higher than the industry average, demonstrating its strong financial strength. The first quarter of the 2023 report showed that the net profit was 11.026

billion yuan, up 221.27% year on year, and the operating income was 19.739 billion yuan in the first quarter of the 2023 report, up 69.20% year on year. The net profit margin was 55.86%, up 89.87% year on year. Earnings per share were 0.52 yuan, up 271.43% year on year. The return on equity was 6%, up 200% year on year. The core competitive elements of HSBC Hong Kong mainly include its strong global network, wide range of products and services, strong capital strength, excellent risk management ability and continuous innovation ability. These elements give HSBC a unique competitive advantage in the global financial services market.

In addition, HSBC is widely recognized for its level of risk management. For example, during the global financial crisis, HSBC showed better stability than other large banks.

2.3 Geopolitical impact of HSBC

2.3.1 Impact of geopolitics on the business outlook of HSBC Hong Kong.

HSBC Hong Kong's business outlook is influenced by a number of factors, not the least of which is geopolitics. For example, the impact of Brexit on HSBC's business, including the potential for financial market uncertainty, and the impact on the UK and European markets. The previous Sino-US trade war had an impact on HSBC's business, as geopolitical factors may change the financial market environment, resulting in volatility and uncertainty in business strategy and business results. According to the 2022 annual report, geopolitical factors are one of the biggest risks facing HSBC.

2.3.2 HSBC Hong Kong's geopolitical risk management in different regions and countries.

As one of the largest financial institutions in the world, HSBC is exposed to various geopolitical risks across the globe. HSBC has shown some strength in geopolitical risk management. Specifically, HSBC has developed different business strategies and risk management strategies for different regions and countries through market segments. HSBC's management of geopolitical risks is mainly reflected in its continuous observation and forecast of the political environment, as well as taking these risks into account in its business strategies. For example, HSBC takes into account factors such as the political stability of the target market, the regulatory environment, and policy changes in its investment decisions.

3 HSBC and Hong Kong Finance

3.1 Achievements of HSBC and the historical DNA of Hong Kong's developed financial industry

HSBC Hong Kong is closely linked to the history of Hong Kong's financial sector. HSBC has been an important part of Hong Kong's financial system since its estab-

lishment in 1865. The prosperity of Hong Kong and the development of its financial industry cannot be separated from the far-reaching influence of HSBC.

As one of the largest financial institutions in the world, HSBC's historical achievements are closely related to Hong Kong's well-developed financial industry. Its multinational operations and strong financial strength have enabled Hong Kong to become an international financial center. Against the backdrop of globalization and financial innovation, HSBC has promoted the modernization and internationalization of Hong Kong's financial market. In 2022, HSBC's deposit market share in Hong Kong exceeded 30 percent, and its loan market share exceeded 20 percent, which clearly shows its dominant position in Hong Kong's financial system.

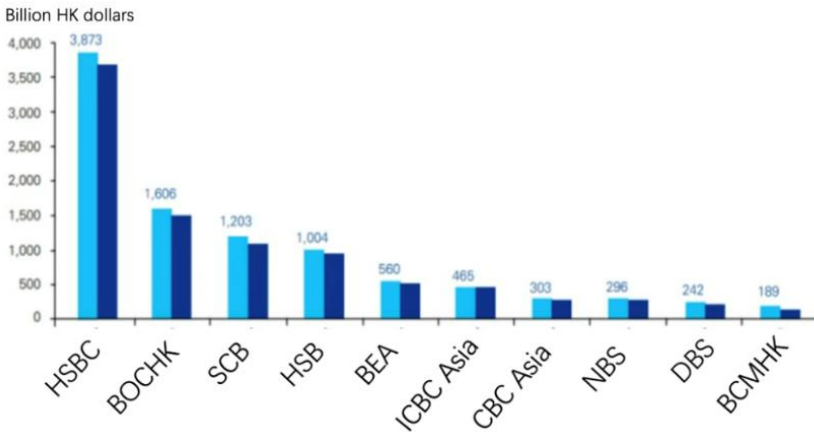


Fig. 6. Amount of deposits in some major banks in Hong Kong

By reviewing the history of Hong Kong's financial development, it can be seen from Fig. 6 that the formation of Hong Kong's status as an international financial center is the result of its economic development. First, Hong Kong has long adhered to the concept of reducing market intervention. Whether it was the liberal economic concept of the colonial period or the "active nonintervention principle" of the booming economy, the government has always taken the market as the leader and reduced market intervention. The subsequent structural transformation of the industry laid the foundation for an international financial center. From a free port with transit trade as its economic pillar to an international financial center focusing on the development of the finance-led service industry, Hong Kong seized the opportunity of a favorable external economic and political environment and successfully upgraded its industrial structure.^[10] In this process, both the external economic environment and geopolitics provided market demand for its structural transformation. In addition, the rigorous and transparent legal and regulatory system has laid the institutional foundation for Hong Kong as an international financial center. Despite the banking crisis, stock market crash and other problems, after passing a number of legislative ordinances, Hong Kong repaired the gaps in the financial system, reshaped the market order, and made the financial system of Hong Kong an international financial center more stable.

3.2 HSBC's position in the value chain of Hong Kong's financial industry

3.2.1 The role of HSBC Hong Kong in Hong Kong's financial ecosystem.

HSBC occupies an important position in the value chain of Hong Kong's financial industry. It operates across the full chain of financial services, from retail and commercial banking to global banking and markets, as well as wealth and personal banking. In particular, in retail banking and commercial banking, HSBC has become an important provider of financial services to Hong Kong residents and enterprises due to its extensive branch network and efficient services. In its global banking and markets business, HSBC provides multinational financial services to businesses and investors through its global network. HSBC plays a number of roles in Hong Kong's financial ecosystem. As a financial service provider, it meets the various financial needs of individuals and businesses. As a major player in the financial market, it is active in the stock, bond, foreign exchange and derivatives markets in Hong Kong. Additionally, as a promoter of financial innovation, HSBC has improved the efficiency and convenience of financial services through digitalization and technological innovation.

As an important financial intermediary in economic development, commercial banks have played a enormous role in promoting social and economic development, especially in promoting sustainable development, by performing functions such as assessing and pricing financial assets, supervising borrowers, managing financial risks and establishing payment systems. Today, banks' practice of social responsibility has become an ingrained concept in the financial services industry. At the global level, well-known multinational banks are active in social responsibility. They are not only practitioners of social responsibility but also often the makers and promoters of a number of social responsibility standards or norms, including the Equator Principles. Since its inception, HSBC has been fulfilling social responsibility and regards it as one of the fundamental characteristics of the company, and its comprehensive reputation ranks among the top multinational banks in the world. Relying on the large business volume and good performance, HSBC pays enough attention to and makes its own contributions in many aspects, such as economic contribution, customer service, investor feedback, anti-financial crime, enhancing employee value, climate business, risk control, investment in the community, and environmental efficiency of corporate operations.

Environmental and social risks can cause substantial damage to financial business operations and customers' interests. The HSBC believes that responsible handling of financial operations and lending is the way to go. HSBC's investors, customers, employees and shareholders have an interest in sustainable and responsible lending. These facts have proven that HSBC has set a good example for other multinational financial companies in conducting business. Subsequently, Citibank and Hang Seng Bank have also taken corresponding countermeasures and achieved remarkable results, and they have been included in the Dow Jones Sustainable Development Index and the FTSE Social Responsibility Index list for many years.

3.2.2 HSBC's contribution to Hong Kong's financial competitive advantage.

In 2020, HSBC was ranked as the world's largest trade finance bank, with a market share of 8.3%. (Source: Coalition Greenwich). In the same year, HSBC handled more than 970,000 trade transactions with a total value of US \$685 billion, according to its annual report. In capital markets, HSBC is involved in providing capital market services, including underwriting, bond and equity issuance and advisory services. According to the KPMG survey, HSBC ranked second in Hong Kong IPO league tables in 2020, handling 26 deals worth HK \$206 billion and ranking second in Asia Pacific equity deals, with a market share of 8.5%. In terms of wealth management, HSBC's total wealth and personal banking client accounts in Hong Kong reached US \$488 billion. HSBC's 2020 Sustainable Finance Report shows its commitment to provide more than HK \$20.7 billion in sustainable financing for Hong Kong in 2020 while supporting businesses through a variety of financial solutions, including working capital financing, cash management and international trade services. These figures show that HSBC is an important part of Hong Kong's financial industry.

3.3 HSBC relationships and synergies in the global value chain

HSBC's governance structure supports its operations in the global financial value chain. Its governance structure consists primarily of the board of directors and senior management team, as well as various committees and departments. The board of directors is responsible for decision-making and supervision, while the senior management team is responsible for execution and operation. Various committees and departments are responsible for specific businesses and functions, such as risk management, compliance, auditing and finance. In the global value chain, HSBC's governance structure enables it to effectively conduct global operations and risk management. Its strong governance capabilities also enable it to occupy an important position in the global financial value chain.

HSBC's position in the global financial value chain enables it to work extensively with financial institutions around the world and participate in global financial governance. As one of the world's largest financial institutions, HSBC is involved in all areas of global financial markets, including retail banking, commercial banking, global banking and markets, and asset management. Its cooperation with other financial institutions is mainly reflected in the sharing of financial infrastructure, joint financing and investment, and complementary products and services. HSBC has business dealings with financial institutions in more than 100 countries and regions around the world, demonstrating its extensive connections and cooperation in the global financial value chain. The cooperation between HSBC and other financial institutions is mainly reflected in the following aspects:

a) Financial infrastructure: HSBC has achieved synergies with other financial institutions by participating in the construction and operation of global financial infrastructure, such as payment systems, clearing systems and information systems.

b) Joint financing and investment: HSBC frequently engages in joint financing and investment with other financial institutions, such as interbank loans and joint bond issuance.

c) Complementarity of products and services: Through cooperation with other financial institutions, HSBC has provided a broader and diversified range of products and services to meet the various financial needs of its customers.

In recent years, HSBC's globalization strategy has steadily advanced, and its influence on the change in global value chains has been increasing. However, it is also necessary to admit that the speed of HSBC's globalization evolution is at a low level and faces many obstacles. For example, the "break-up" calls since 2018. In 2022, HSBC Holdings had an interim profit of 8.915 billion US dollars, an increase of 12.15%, but such positive news still cannot reverse the slump in the stock price. The wave of demerger madness among minority shareholders is surging again. From 2015 to 2020, HSBC's Asian business basically contributed more than 100% of the pretax profit, while the European business was mostly in a state of loss. After 2021, the profit of the European business turned positive, but the profit of the Asian business still contributed nearly 70%. The 2022 half-year financial report shows that Asia, as the largest market contributing to HSBC's overall profit, made a profit of 6.3 billion US dollars in the first half of the year, accounting for 68.7% of the group's overall pretax profit, and HSBC Hong Kong alone made a profit of 2.489 billion US dollars, contributing approximately 27% of the group's pretax profit. That said, HSBC's Asian operations have been dragged down by other regions.

When the business situation is relatively good, these contradictions will be covered up and appear less prominent, but when the business encounters some adverse circumstances, the demand of investors in the Asian region will become very strong. At the same time, geopolitical risks that have become increasingly prominent since 2020 have also brought greater uncertainty to HSBC Holdings. As far as the current situation is concerned, the possibility of "breaking up HSBC" is unlikely, but such a plan serves as a warning to multinational companies. Considering the current international environment and the increasingly unbalanced and inadequate economic development situation between different regions, an increasing number of multinational companies need to adopt an organizational strategy to cope with the increasing geopolitical tensions and risks. Splitting up businesses into different markets can solve the problem to a fundamental extent. Specifically, 'spin-off' is the process of creating a new company by distributing shares in part of the company's business to the company's shareholders, and this new independent unit will have its own rules and management, but it does not mean the regression of the internationalization process and the suspension of cross-border cooperation.

4 Changes and impacts of Hong Kong financial enterprises in the global value chain

4.1 Changes in the position of Hong Kong financial enterprises in the global value chain

The transformation of the position of Hong Kong financial enterprises in the global value chain is a historic process. Since the reform and opening up in the 1970s, Hong

Kong's financial industry has experienced rapid development and continuous changes. In this process, Hong Kong financial enterprises have gradually developed from a traditional intermediary role to an important participant in the global value chain. Hong Kong's geographical location and sound legal system have become important factors in attracting foreign investment and multinational companies, making it one of the world's financial centers.

In the global value chain, financial enterprises play an important role in providing financing, risk management, payment and settlement. Hong Kong financial enterprises have earned a good reputation in the global market for their efficient, transparent and professional service capabilities. They provide multinational companies with a full range of financial services, including loans, stock issuance, bond issuance and mergers and acquisitions. Hong Kong financial enterprises have also actively participated in international financial cooperation and promoted financial innovation and global financial governance ^[11].

However, as the global economic structure changes and international competition intensifies, Hong Kong financial enterprises are also facing challenges and changes in their position in the global value chain. On the one hand, financial centers in other countries and regions are rising and competing fiercely with Hong Kong. On the other hand, digitalization and technological progress have put forward new requirements for financial business models and operation methods, and Hong Kong financial enterprises need to actively adapt to and respond to these changes.

To cope with these challenges, Hong Kong financial enterprises are stepping up investment and innovation in fintech to promote the digital transformation of financial business. By applying cutting-edge technologies such as artificial intelligence, blockchain and big data, Hong Kong financial enterprises are transforming themselves from traditional financial intermediaries to digital platforms and intelligent service providers. These new technologies and models will bring financial enterprises greater efficiency, faster speed and better customer experience, further enhancing their position and competitiveness¹ in the global value chain ^[12].

In addition, Hong Kong financial enterprises should continue to strengthen cooperation with international financial institutions and step up international exchanges and cooperation. Through closer ties with international financial organizations and multinational corporations, Hong Kong financial enterprises can better grasp the opportunities of global financial development, deepen financial cooperation with other countries and regions, and achieve mutual benefits and win-win situations.

In summary, it is a long-term process for Hong Kong financial enterprises to change their position in the global value chain. Through continuous innovation and adaptation, Hong Kong financial enterprises will be able to maintain their position as a global financial center and make greater contributions to the development of global value chains.

4.2 Changes in the influence of Hong Kong financial enterprises in global value chains

The transformation of Hong Kong financial firms' influence in global value chains is an important topic. Under the economic background of globalization, the global value chain has become an important part of the economic development of various countries. As an international financial center, the status and influence of Hong Kong's financial enterprises in the global value chain are also constantly changing ^[13].

Hong Kong has become an international financial center due to the following factors: internal political and social stability, sound rule of law, active nonintervention of the government and prudent financial and low tax policies, complete free flow and dispatch of funds, favorable geographical location and time zone, modern infrastructure and telecommunications equipment, and the establishment of Hong Kong as an international financial center. The widespread use of English. In the future, with the promotion of the RMB internationalization strategy, the RMB offshore financial market in Hong Kong will become increasingly important. Through continuous financial innovation and financial deepening, the trend of in-depth internationalization of the financial industry and financial capital is becoming increasingly obvious. On the one hand, more international financial capital has chosen Hong Kong, which has enhanced Hong Kong's international status and influence. Hong Kong's financial sector has developed into an important participant in the global financial market, attracting not only the investment and headquarters of a large number of multinational enterprises but also some important global trading and financing centers. Therefore, the position of Hong Kong financial enterprises in the global value chain has gradually developed from the primary link to the advanced link, becoming an important node in the global value chain. On the other hand, with the promotion of globalization, Hong Kong financial enterprises have gradually shifted from domestic business to transnational business and actively carried out overseas investment and financing activities. The influence of Hong Kong financial enterprises has gradually expanded globally, and their international trading and financing capabilities have been further enhanced. At the same time, the internationalization strategy of Hong Kong financial enterprises has also enhanced their competitiveness in the global financial market and further enhanced their influence in the global value chain ^[14].

However, there are still some challenges and difficulties in realizing the transformation of Hong Kong financial enterprises' global influence. Hong Kong's important role in China's economic pattern has been diluted and even "marginalized", and Hong Kong's role as an intermediary in the processing trade, especially as a production organizer, has been gradually diluted since the beginning of the 21st century. The role of Hong Kong's transportation hub has weakened, and the Hong Kong Port itself has insufficient verification of dock reserve land, which can no longer be large-scale new and expanded terminals. Affected by the slowing growth of the international container shipping industry, Hong Kong's status as an international shipping center has gradually declined. In addition, against the backdrop of increasingly stringent international financial regulation and antimoney laundering, Hong Kong financial enterprises need

to continuously improve their risk management and compliance mechanisms to ensure their stable development in the global financial market.^[15]

In summary, the change in the influence of Hong Kong financial enterprises in the global value chain is a trend that cannot be ignored. With the deepening of globalization, the status and influence of Hong Kong financial enterprises in the global value chain will continue to change and improve^[16]. However, to achieve a leading position in the global value chain, Hong Kong financial enterprises need to make continuous efforts to maintain competitiveness in innovation, compliance and other aspects while proactively addressing various challenges to promote their sustainable development.

4.3 Prior Research Gaps in Global Value Chain Governance and the Case of Hong Kong

Extensive research has been conducted by previous scholars on the case of Hong Kong, particularly in the domains of global value chains and finance. They employed various methodologies, including field investigations, surveys, quantitative data analysis, case studies, and literature reviews, to examine Hong Kong's value chain. Some scholars focused on Hong Kong's role as an international financial center and logistics hub, studying its position and functions within global value chains. They analyzed trade, financial, and investment linkages between Hong Kong and other regions, as well as the city's service agglomeration effects and vertical integration within value chains.^[17] Other researchers examined the influence of Hong Kong's distinctive status and political environment on global value chains. They investigated Hong Kong's legal and institutional framework, government policies, and economic development strategies in the context of globalization to explore its role and impact on global value chain governance.^[18] Additionally, scholars explored the economic links and regional integration between Hong Kong and mainland China and their implications for global value chains. They examined trade and investment cooperation, industrial transfers, supply chain relationships, and financial and capital flows between the two regions.^[19] Despite the abundance of research on Hong Kong, there may exist certain research gaps when considering the perspective of global value chain governance transformation. Previous studies might not have fully explored the specific role and practices of HSBC as a global financial institution in the transformation of global value chain governance. This study seeks to address this gap by undertaking an in-depth investigation of HSBC's global business, financial services, and cooperative networks in Hong Kong and other regions, to explore its support for corporate strategies in the context of globalization and its driving role in the transformation of global value chain governance. Moreover, attention will be given to HSBC's practices in sustainability and corporate social responsibility, as well as its connection to the governance of global value chains. Such research can provide valuable insights into how financial institutions contribute to sustainable development and social inclusivity within global value chains.

5 Concluding remarks

This paper studies the position and influence of Hong Kong financial enterprises in the global value chain and draws a series of important conclusions. First, with the continuous development and growth of Hong Kong financial enterprises, their status and influence in the global financial market have been continuously enhanced, which has important strategic significance in Hong Kong and the international financial market. This means that Hong Kong financial enterprises are playing an increasingly important role in the global economy, which plays an important role in promoting Hong Kong's economic development and promoting the stability of the global financial market. Secondly, the paper reveals the multiple roles of Hong Kong financial firms in the global value chain and analyzes how they are expanding their position and influence in the global economy through globalization, technological upgrading and market expansion. At the same time, it is worth mentioning that with the rapid development of mainland China in recent years, many people believe that the rise of some first-tier cities, such as Beijing, Shanghai, Guangzhou and Shenzhen, has threatened the status of Hong Kong as a financial center to some extent, and even replaced the status of Hong Kong as a financial center. The author believes that in a short period of time, Hong Kong is still second only to Singapore as a first-line financial center in Asia and cannot be replaced. Based on the above research, As for the development of Hong Kong financial enterprises, we put forward the following: First, Hong Kong financial enterprises can increase cooperation with mainland financial institutions. Through further cooperation with mainland financial institutions, the status and role of Hong Kong financial enterprises in the global value chain will be enhanced to some extent; Secondly, Hong Kong financial enterprises need to further "go out" to actively strengthen international exchanges and cooperation, to a certain extent, enhance the status and influence of Hong Kong in the global financial system; Finally, Hong Kong should take the initiative to promote scientific and technological innovation, which is the primary driving force for development. Through innovation, the competitive advantage of Hong Kong financial enterprises has been enhanced to a certain extent, and the influence of Hong Kong financial enterprises in the global value chain has been enhanced.

This paper takes HSBC, a financial enterprise with a long history, high status and influence in Hong Kong, as a case study method to analyze the status and influence of Hong Kong financial enterprises in the global value chain. However, from the current research results, there are still some shortcomings in the research on this topic. First, there is a lack of case studies on HSBC's specific position and influence in global value chains. Since the research object is a large multinational financial enterprise with high complexity, there may be some limitations in the selection of data sources and samples in this paper. In addition, the study on the specific influence mechanism and path of Hong Kong financial enterprises in the global value chain is not deep enough. Despite its increased status and influence in the global economy, it is still necessary to further study the driving factors and mechanisms behind it. At the same time, due to the lack of in-depth analysis on the status and influence of Hong Kong financial enterprises in the global value chain, this paper should compare and analyze

HSBC with a number of enterprises to better highlight the advantages of Hong Kong financial enterprises compared with other enterprises.

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