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INTELLIGENCE
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HUB OF BUSINESS CONTINUITY

How Asia-Pacific cities are
managing during global disruption

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About the research

Hub of business continuity: How Asia-Pacific cities are managing during global disruption is a report from The Economist Intelligence Unit, commissioned by BlackLine, which explores the future of business hubs in the Asia-Pacific region, especially as it relates to challenges during the current covid-19 pandemic.

Kim Andreasson is the author and Charles Ross the editor of this report. The analysis is based on a survey of 250 people conducted in June and July 2020 with 50 executives in each of these five cities in the Asia-Pacific region: Auckland, Hong Kong, Singapore, Sydney and Tokyo.

Half of the respondents represented the IT function with the rest in accounting and finance. Roughly 15% of survey takers were board members or C-suite with the remaining 85% at the director level and above. Technology (10%) and financial services (10%) were the most represented in terms of industry, followed by healthcare (8%), manufacturing (8%) and professional services (8%). One-half of survey takers represented companies with revenues between \$50m and \$100m while the other half revenues of \$100m or greater.

We would like to thank all interviewees and survey respondents for their time and insight. The following experts gave their perspective for the report (listed alphabetically by surname):

- Tooran Alizadeh, associate professor, urbanism and telecommunication planning, University of Sydney
- Wai Fai Lee, group chief financial officer, UOB
- Jimmy Ng, group chief information officer and head of group technology & operations, DBS
- Silvia Thom, chief technology officer, Zalora
- Thomas Zipperle, chief financial officer, South-East Asia, SAP

Executive summary

The current covid-19 disruption brings new opportunities and challenges for business hubs across the world, including in the Asia-Pacific. As governments and cities make immediate decisions to tackle the pandemic, corporate decision-makers are already considering their next moves in response to the current situation and beyond. Technology and innovation, the financial environment and liveability are emerging as the key differences in terms of what constitutes a better business hub moving forward. The covid-19 pandemic also raises challenges as organisations have had to rapidly move to remote work and increasingly rely on digital tools.

If cities are to reap the full benefits of attracting businesses and the jobs that they bring with them in the future, they must tackle the obstacles ahead. This report highlights the opportunities of building a better business hub and illustrates the challenges that remain. The key findings are:

- **The covid-19 pandemic is changing it all:** The meaning of a business hub may be changing due to the current disruption. Traditionally important aspects such as transportation and commercial real estate have faded due to restrictions and remote work opportunities while other areas have increased in importance.
- **Technology emerges as a game-changer:** In the survey conducted for this report, it is clear that technology

infrastructure is what sets a business hub apart from others today, and this is likely into the future as well. The ability to work from home relies on the availability, reliability, and security of a good internet connection. Companies are also seizing on this opportunity to improve agility and flexibility by using cloud computing and online communications platforms.

- **The financial environment remains important:** E-commerce has boomed during the current pandemic and is predicted to remain strong into the future. This enables companies to expand on already existing technology infrastructure, to reap the benefits of virtual meetings and sales. At the same time, governments across the world and in the region continue to play a role in building better business hubs with large support programmes, efforts that could be improved through better digital government, according to survey takers.
- **Liveability as a difference-maker:** Despite local restrictions and remote work, liveability remains a key aspect of a better business hub as it boils down to a simple question: where do you want to live? Time zone differences and weather simply can't change, and in this new environment of disruption, the concept of workability may emerge as a key differentiator in which such components, combined with technology infrastructure, can separate a good business hub from the best in the future.

Introduction

Becoming a better business hub is a common objective for cities in order to attract successful companies and human capital to generate more income and provide improved services for residents. At the same time, there are many challenges towards becoming an attractive destination for companies, such as unreliable ICT infrastructure, a lack of people with the right skills, and poor physical infrastructure and connections with other cities.

Addressing these challenges has become more complex as the global economy has been impacted by disruption resulting from trade wars, natural disasters, political uncertainty, and most recently, covid-19. When asked if the pandemic has changed the importance to their business of being based in a business hub today, 71% of executives said it is important. Almost eight in 10 (77%) said it will be important five years from now. This is likely due to digital infrastructure in cities as technology emerges as a key factor during the crisis.

New aspects of business hubs have also risen to the forefront in distinguishing them from others, such as the role of technology infrastructure that enables remote working.

“One problem is there is no universal definition of what constitutes a business hub as it can mean different things to different people,” says Tooran Alizadeh, associate professor of urbanism and telecommunication planning at the University of Sydney. “But telecoms infrastructure is the foundation for everything else, especially in the absence of face-to-face meetings.” At the same time, she doesn’t believe telecommunications is a substitute for geography given that decades of investment in infrastructure won’t go away; leading cities therefore inherently maintain a competitive advantage.

“The U.S.— China trade conflict has benefitted ASEAN generally and Singapore’s position specifically as being in the heart of Asia-Pacific,” says Wai Fai Lee, group chief financial officer at UOB, a Singaporean bank. In particular, the city-state benefits from a strong but flexible regulatory framework combined with its technology adoption and ability to attract talent. “The government is creating opportunities by creating an ecosystem and retraining the workforce to seize on new opportunities,” says Mr Lee, about how the city-state remains competitive.

Figure 1: Hubs are important

Importance to your business of being based in a business hub today, and in five years’ from now

Importance of being based in a business hub today



Importance of being based in a business hub in 5 years



0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

■ Unimportant ■ Neither unimportant, nor important ■ Important

Source: The Economist Intelligence Unit

In an age of disruptions, cities therefore need to be agile and adaptable to change if they want to continue to succeed in creating an environment where companies can maintain and grow their business during periods of uncertainty. The pandemic has simply resulted in a fundamental shift in business operations for a large number of companies across the world and in the Asia-Pacific.

Government support programmes have been instrumental in responding to the current disruption, and finance and IT executives are generally well-aware of their importance. Almost one-half (47%) of survey takers say they are very familiar with the business support initiatives proposed by the city in which they live during disruptions; another 44% say they are familiar with them while nobody claims unfamiliarity. Almost two-thirds (62%) says they are effective in terms of supporting existing businesses and one-half (51%) says the same about their city attracting new business during disruptions.

Opportunities include agility and flexibility in terms of working from home, as well as innovation benefits. According to The

Economist Intelligence Unit Global Business Barometer, “greater digital agility” is the greatest opportunity for post-covid-19 resilience. This was also reflected in the survey conducted for this report, with a majority of survey takers (51%) stating they expect their companies’ organisational agility to get better in the next three months.

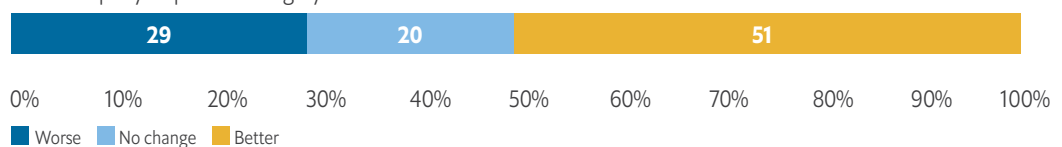
Key drivers of greater digital agility are cloud computing and online communications platforms that are increasingly used during the pandemic as they enable remote working and business processes, such as financial reporting, to work. However, they would not be possible if cities don’t have the technology infrastructure to support such efforts for businesses to thrive under current circumstances and position themselves to leverage new ways of working.

The future also looks bright, according to survey takers. Five years from now, they expect their city to be even better in terms of supporting existing businesses or attracting new ones during potential disruptions, with two-thirds saying they will do well in both regards (66%).

Figure 2: Faster reaction times

Operational agility is expected to get better in the next three months

Your company's operational agility



Source: The Economist Intelligence Unit

Figure 3: Attracting and supporting business

Ability of cities to attract new businesses and support existing ones, now and in five years' time

Supporting existing business five years from now



Attracting new business five years from now



Source: The Economist Intelligence Unit

The opportunities and challenges in creating future business hubs in the Asia-Pacific region can be broken down into different thematic areas led by technology and innovation, the

financial environment, and “workability” – a concept that includes liveability, such as physical infrastructure, human capital and the cost of living.

Box: Economic outlook

To understand and track covid-19’s effect on industries and economies, The Economist Intelligence Unit launched the Global Business Barometer.¹ According to the most recent measure in June 2020, 18% of survey takers predict that the global economy would perform better in the last quarter of 2020 and 17% say the

same about their respective countries. In the Asia-Pacific, survey takers in Tokyo are the most negative about economic prospects moving forward (only 10% say the global economy will be better in last quarter of 2020) while survey takers in Sydney are more optimistic (with 40% citing a better environment).



¹ <https://globalbusinessbarometer.economist.com/>

Technology and innovation

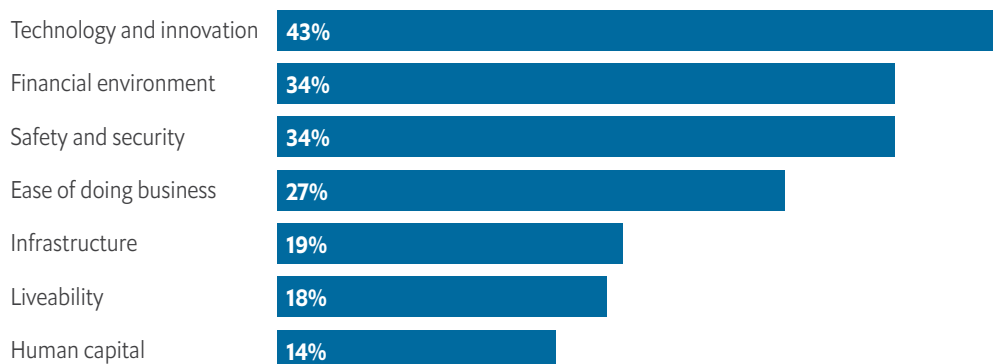
During the current covid-19 pandemic, technology has emerged as a game-changer as people have been forced, encouraged, or have opted to increasingly work remotely. In the survey conducted for this report, technology and innovation is identified as the most important area in making a city attractive as a business hub (cited by 43% of survey takers). Given remote work opportunities, this is hardly surprising. In fact, when asked about the main benefits of business support initiatives in their city during disruptions as they relate to their company, a majority of executives (52%) cited technology and innovation. “The concept of business hubs continues to be relevant as cities are central to the exchange of ideas through networking and interaction,” says Jimmy Ng, group chief information officer and head of group technology & operations at

DBS, a leading financial services group in Asia. “Innovation and cocreation at a distance are more difficult,” although he also says there is clearly a role for technology infrastructure in ensuring that business hubs continue to thrive in the future.

The availability, reliability and security of technology infrastructure are also important to business processes, which are increasingly delivered remotely and have enabled many firms to operate seamlessly during the pandemic. Such processes often rely on cloud computing and online communication platforms and cover areas ranging from financial reporting and expense claims to project management tools and human resources hubs that enable an enterprise to stay connected even during times of disruption.

Figure 4: All about the technology and innovation environment

Most important aspects making your city attractive as a business hub during disruptions. Select up to two.



Source: The Economist Intelligence Unit

“We were already well-established [pre-pandemic] in terms of digital communication platforms,” says Silvia Thom, chief technology officer at Zalora, a Singapore-headquartered e-commerce company with operations in several South-East Asian countries. “Other companies might have had to get familiar with this new digital environment,” she says and implies that digital first type companies such

as Zalora might have a competitive advantage in times of disruption. “It definitely gave us a huge head start,” she says. “It is easy to sign up to digital services but a huge and difficult corporate process to roll it out to hundreds and thousands of people.” As a relatively young company, founded in 2012, Zalora grew up with a digital mentality and had already built in digital tools in their workflows.

City snapshot: Singapore



The role of technology is especially important to survey takers in Singapore, with 44% respondents from there saying it is the most important area and 62% saying technology and innovation is the main benefit of business support during the pandemic.

Above all, connectivity

For cities to remain attractive business hubs during this pandemic and beyond, the role of good connectivity can make a difference. The Broadband Commission for Sustainable Development was established in May 2010 by the International Telecommunication Union and UNESCO to track progress as it relates to high-speed internet access, a topic receiving increased attention during disruption.²

In Australia, Sydney is benefitting from the national NBN initiative, which despite challenges along the way, is now starting to pay dividends.³ “Business hubs are dependent on telecommunications infrastructure,” says Ms Alizadeh. “But in places such as Sydney, the quality of the Internet can vary significantly by location within the city and neighbours can even have different levels of connectivity, because of the mixed-technology base of the National Broadband Network rolled out in Australia.⁴

2 <https://broadbandcommission.org/Pages/default.aspx>

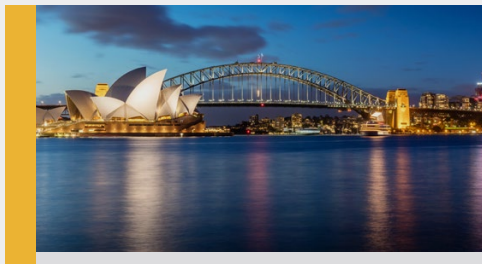
3 <https://www.nbnco.com.au/>

4 <https://www.sciencedirect.com/science/article/abs/pii/S0308596120300331?via%3Dihub>

“Digital infrastructure is a key aspect of a digital economy and covid-19 has taught us a lot of work we do has paid off,” says Mr Ng. “During the pandemic, we came from a position of strength we started our digital transformation about eight years ago, which means we were prepared by having all the capabilities in place—such as digital communication platforms—which in turn led to our ability to be agile.”

The importance of connectivity and agility extends to the public sector. Within the area of technology and innovation, e-commerce and the availability of digital government services serve as the most important pillars in a business hub during times of global disruption. Indicative of this movement, the United Nations global E-Government Survey recently added a focus on tracking the progress on cities in addition to country-wide initiatives, an area in which Asia-Pacific hubs could seemingly improve.⁵

City snapshot: Sydney



Asia-Pacific cities do not do particularly well in the United Nations E-Government Survey, but Sydney ranks 24th globally and can be seen as a regional leader. This is reflected in the survey: 82% of survey takers say the city is doing well in this regard during the pandemic, compared to 74% of all respondents.

⁵ [https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2020-Survey/2020%20UN%20E-Government%20Survey%20\(Full%20Report\).pdf](https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2020-Survey/2020%20UN%20E-Government%20Survey%20(Full%20Report).pdf)

Financial environment

Covid-19 has generally reduced revenues and profits, causing many companies to take a really strong hold on costs. Remote working means that companies have to entirely rely on digital infrastructure and remote processes to ensure they have the visibility and control to keep their businesses operating. Cities with the digital infrastructure and financial environment to support this will be better placed to support companies, a point supported by the survey findings.

The financial environment (34%) follows technology as the most important aspect for a business hub during times of disruption. Within the financial environment, support for cashless payments—which to some extent overlaps with technology and innovation, in part due to its role in e-commerce—is one of the key areas to business executives during disruption. “We look at our markets and most of them are mobile-first markets, so we invest more in providing additional payment methods as some markets are still in their early adoption rate of e-commerce and are still relying on cash-on-delivery (CoD) and we would like to encourage them to shift to digital payment methods,” says Ms Thom. “We provide flexibility on payment methods and at the end of this year, will offer more digital options for them across our markets.”

“Physical stores may not be open right now but as seen with the increased sales on online channels, the demand is still there,” says Ms Thom. “I think the trend will continue after the current pandemic.” To seize on the opportunity, Zalora plans to enhance the

customer experience of online shopping, she adds, including the delivery experience. In collaboration with different partners including local governments, the company aims to improve every step of the customer journey. In Malaysia it is helping small businesses together with the Malaysian government to transition to online channels by providing them with a platform. In Singapore, meanwhile, the company offers both pickup centre options as well as delivery services, providing shoppers with a choice on how they want to receive their products.

“We will probably see more brick-and-mortar experience spaces where customers can try and test products in person and then order them online,” says Ms Thom. “Customers will be expecting a seamless shopping experience between physical stores and online stores, with physical stores providing them a physical brand experience. We have already been seeing this showrooming effect in the last few years and we expect it to accelerate as more shoppers become more comfortable buying things online.”

Still relying on old money

After new economy concepts such as cashless payments and e-commerce, the most important aspects of a business hub during the pandemic are financial stimulus packages and support to businesses, as well as access to lending, according to the survey. Almost 6 in 10 survey takers (58%) say their company is reliant on financial support during the current covid-19 disruption.

City snapshot: Hong Kong

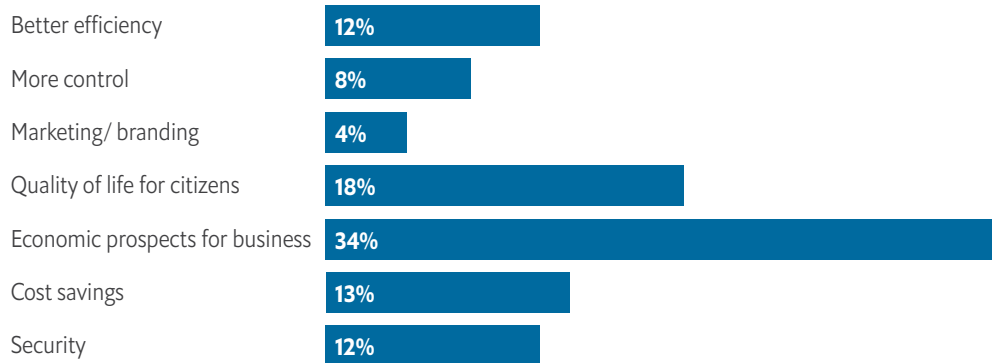


Hong Kong has long been a dominant financial centre in the region, a characteristic of business hubs which survey takers rank highly: one-half (50%) say the financial environment is the most important aspect to businesses during disruption, compared with 34% of all respondents.



Figure 5: Cities are focused on supporting the economic prospects of business

The main motivations for your local government to make your city a better business hub during disruptions



Source: The Economist Intelligence Unit

In the eyes of executives, the main motivation for local government to make their city a better business hub during disruptions is the economic prospects for businesses (34%). Yet, more needs to be done with about two-thirds of survey takers (67%) also saying their

city should create more business support initiatives during disruptions. But on the whole, cities are doing well with only 10% of respondents saying their company is looking to re-locate operations because their city has not responded well to covid-19.

Workability

The ease of doing business (27%) and liveability (18%), both traditional measures of a good business hub, have faded in importance in comparison to technology and the financial environment. At the same time, quality of life for citizens (18%) is the second most important motivation for local governments to make their cities better business hubs during disruptions, according to our survey.

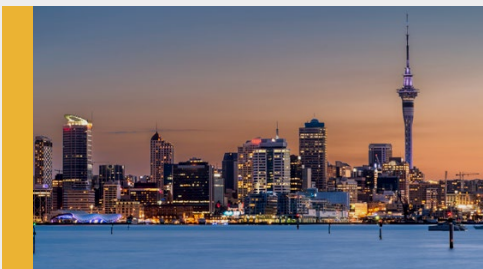
The concept of liveability is simple: it assesses which locations around the world provide the best or the worst living conditions, according to the Global Liveability Index from The Economist Intelligence Unit.⁶ In the 2020 index, Sydney, Tokyo and Auckland fared relatively well on a global basis whereas Singapore and Hong Kong found themselves in the middle of the assessment of 140 cities around the world.

Figure 6: Sydney and Tokyo are very liveable, more to be done in Singapore and Hong Kong
Ranking in the Global Liveability Index

City	Rank	Overall Rating (100=ideal)
Sydney	3	98.1
Tokyo	7	97.2
Auckland	12	96
Singapore	39	91.2
Hong Kong	50	88.8

Source: The Economist Intelligence Unit 2020

City snapshot: Auckland



The concept of liveability is particularly strong in Auckland where 24% of survey takers say it is the most important aspect, compared with only 18% of all respondents. This is unsurprising given that the city is frequently found in the top 10 of global research on liveability.

⁶ <https://www.eiu.com/topic/liveability>

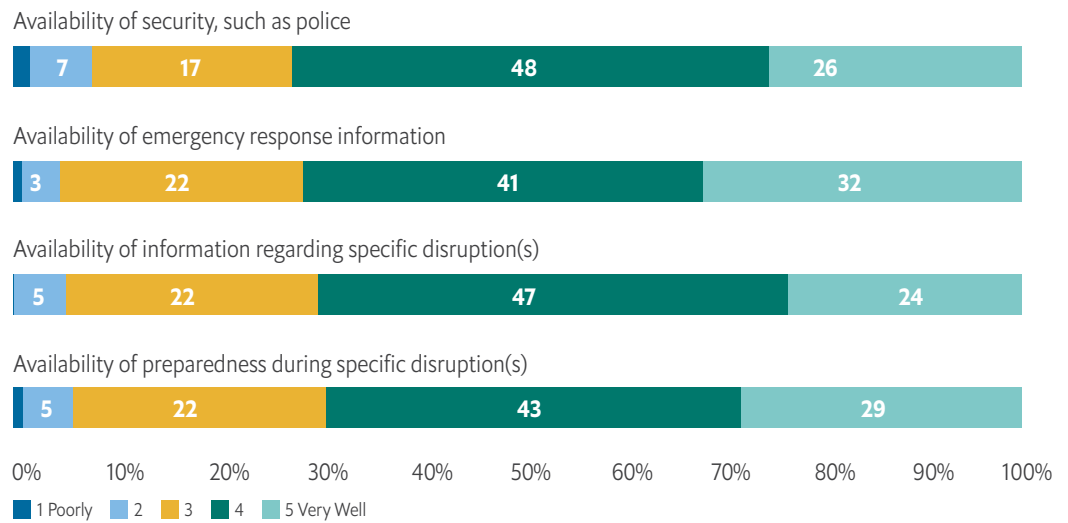
Socio-economic stability is a cornerstone of liveability. “This crisis is different from what we’ve seen before,” says Mr Zipperle. “Employees want an ecosystem of political and legal stability that comes with liveability.”

Safety and security (34%) also remain among the most important areas of a business hub, according to survey takers. Within the

safety and security category, the availability of police, speed of emergency response, information regarding specific disruptions and preparedness scored about equally in terms of importance. The category is conflated with digital government initiatives as various aspects of safety and security often rely on technology and new innovations to work.

Figure 7: Keeping cities safe and secure

Ability of cities to maintain safety and security during disruptions



Source: The Economist Intelligence Unit

City snapshot: Tokyo



Research by The Economist Intelligence Unit has ranked Tokyo as the safest city in the world. Perhaps as a result, survey takers see safety and security as one of the less important areas in times of disruption and are more concerned about the ease of doing business.

A new way of working

During the ongoing disruption, liveability has also given way to a new term: workability. This relates to the new reality of working from home that employees face, sometimes for prolonged periods of time, that will perhaps turn into the new normal moving forward. "Working from home has changed people's lives as commutes have stopped or are very different now," says Ms Thom. "Zalora has taken this on board and believes that post-pandemic, we may keep some of the new thinking and work set-up we rolled out during the pandemic. It provides us an opportunity to reimagine the future of work for our employees, providing them with more flexibility without sacrificing efficiency."

There are benefits to working from home, adds Mr Ng. "The magic number [of time to work from home] is somewhere between 40% and 60%," he says, the reason being that the informal "incidental interactions" of the office environment can't be replaced. "What's missing is those cross-functional meetings where you just happen to meet someone over coffee," agrees Mr Zipperle. "It is those spontaneous and occasional meetings that are a big challenge to replace virtually."

One area that is immediately affected by the new normal is commercial real estate, as companies consider whether they need as much office space as in the past. On the one hand, social distancing requires more space between employees as they come

back to work in the immediate future. On the other hand, as companies pursue more flexible work-at-home policies going forward less space might be needed. "How important is a physical location?" Mr Zipperle asks rhetorically. "In the future people may not have to move to Singapore [to work here]." SAP has about 1,400 people working in the city-state, but Mr Zipperle predicts some of them will work from home, satellite offices and co-working spaces in the future.

"We are definitely looking at different solutions moving forward such as adding more space for hot desking," says Mr Lee. "At the same time we still need a fair amount of physical space in order to practice safe social distancing," and predicts the overall decrease in office space may end up being somewhere between 20% and 30%.

Another obstacle during the new work environment is that of cyber criminals who prey on the new remote-work environment. The International Criminal Police Organisation (INTERPOL), a global inter-governmental group, has found a rapid increase in the number of cyber-attacks during the covid-19 pandemic as organisations deploy remote systems and networks.⁷ "Security is paramount as more customer engagement and business are done online," says Mr Lee, who also notes that the number of cyber threats have increased during this period of disruption.

7 <https://www.interpol.int/en/News-and-Events/News/2020/INTERPOL-report-shows-alarming-rate-of-cyberattacks-during-COVID-19>

The challenge has led to a greater need for digital skills to understand threats, to leverage new technologies and also to upskill workers, which is being highlighted as companies increasingly employ digital solutions. “As a company, we are proud of our digital transformation,” says Mr Zipperle. “We want to bring our workforce to the next

level.” SAP invests in continuous education for its employees, including online learning programmes and cyber-security education, which is particularly important given the increase in remote work. The company has also partnered with the Singapore government to provide skills training to the broader population.⁸



8 https://sapforgrowth.com/skillsuniversity/?gclid=EAlalQobChMIsoH2l9-k7AIVQs2PCh1xEQleEAEYASAAEgIAn_D_BwE

Conclusion

“Five years from now we will hopefully have fully recovered from covid-19 and can travel again,” says Mr Zipperle. “But we expect more remote working in the future, which I believe will be more acceptable even for customer meetings.” As a software company, meetings with our customers have traditionally been done face-to-face but are now seen as increasingly acceptable as virtual engagements. “The digital trend is here to stay and will continue to grow as the predominant channel in the future,” says Mr Ng. “During the current crisis, even customers who had previously hesitated [to transact or conduct business online] have been coming on board and now experience its ease and convenience,” he adds as the current pandemic gave many a kick to overcome inertia.

Asia-Pacific business hubs could learn a lesson from business with regard to digital communication. In the survey conducted for this report, the main challenge in taking advantage of a city’s business support initiatives during disruptions was found to be a lack of information regarding such business support initiatives that exist (48%), affordability (48%) and a lack of information regarding new business support initiatives (46%), issues that can all be resolved by improving local digital government initiatives. This is an area in which Asia-Pacific cities lag behind global leaders, according to the United Nations report. In fact, almost one-half (47%) of survey takers noted they find it difficult to access information regarding their city’s business support initiatives during disruptions.

Despite this challenge, the future of business hubs in Asia-Pacific are also unlikely to change much in the short term, assuming current patterns of improvement in technology infrastructure, the financial environment and liveability stay the course. “In theory, business hubs can be decentralised but an ecosystem must be based on a strong regulatory environment in order to thrive,” says Mr Lee, and points to Singapore as exemplary in this regard as the city-state attracts people to build on its ecosystem. “It comes back to economic and political stability, security, and living conditions,” summarizes Mr Zipperle. “Business hubs won’t change.”

Key takeaways

- **Recognise a new way of working:** The covid-19 pandemic has changed the way we work and as a result is having an impact on business hubs, now and into the future. Companies need to recognise the agility and flexibility remote working provides but also the opportunities emanating from moving business processes online.
- **Embrace a digital-first mindset:** Cities that promoted fast and reliable digital infrastructure and the companies that embraced their availability are benefitting during the current disruption, and indicate that the trend towards digital will continue. Cities and companies alike should view technology infrastructure as a key differentiator between business hubs in the future.
- **Take advantage of the financial environment:** If applicable, companies should move to e-commerce solutions as they are booming during covid-19 and this trend is predicted to continue. Governments, meanwhile, should take this moment as an opportunity to move public sector services and information increasingly online.
- **Promote workability:** Travel restrictions and other curfews aside, liveability remains a strong difference-maker for cities and companies to attract workers. But the notion may evolve into the concept of workability, in which people consider other factors, such as the work from home environment, which includes access to good technology infrastructure.



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