Chapter XVI

Implementing and Managing a Large-Scale E-Service: A Case on the Mandatory Provident Fund Scheme in Hong Kong

Theodore H. K. Clark, Hong Kong University of Science & Technology, Hong Kong
Karl Reiner Lang, Hong Kong University of Science & Technology, Hong Kong
Will W-K. Ma, Hong Kong University of Science & Technology, Hong Kong

EXECUTIVE SUMMARY

This case concerns a recently launched retirement protection scheme, the Mandatory Provident Fund (MPF), in Hong Kong. Service providers, employers, employees and the government are the four main parties involved in the MPF. The service has been implemented in two versions, that is, a bricks model and a clicks model. The former is based on conventional paper-based transactions and face-to-face meetings. The focus of this case, however, is on the latter, which introduces MPF as a service in an e-environment that connects all parties electronically and conducts all transactions via the Internet or other computer networks. The case discusses the MPF e-business model, and its implementation. We analyze the differences between the old and the new model and highlight the chief characteristics and benefits of the e-business model as they arise from the emerging digital economy. We also discuss some major problems, from both managerial and technical perspectives, that have occurred during the phases of implementing and launching the new service.
BACKGROUND

The case discusses the traditional and the new e-business model in providing retirement management services in Hong Kong, and examines how a Mandatory Provident Fund (MPF) service provider can benefit and gain competitive advantage through the application of current e-commerce technologies. The case provides comprehensive background information on the MPF scheme and the MPF market, and presents the newly developed MPF e-business model and its implementation as an electronic service (e-MPF).

The main purpose of this case is to develop and analyze the main components of this new e-service model, and to understand both its benefits and limitations in today’s nascent e-environments (Westland & Clark, 1999). We present the issues and challenges that emerge from introducing and managing a new, large-scale service that involves several parties, each with different objectives and agendas. The government acts as the regulating body formulating the rules and overseeing the transactions between MPF service providers, employers and employees. The government’s primary goal in introducing the MPF scheme is to provide basic retirement protection for Hong Kong’s workforce in an effort to catch up with other developed countries that provide basic social welfare for its citizens. The service providers, on the other hand, see the emerging MPF market as a huge business opportunity. Employers and employees are forced by law to participate in the new scheme.

MPF and the New Economy

The Mandatory Provident Fund is an interesting business example in the emerging digital economy, and one of the first large-scale e-service projects in the public sector in Asia. The e-MPF model incorporates some fundamental e-business concepts as follows:

Electronic Money
There is no real physical activity or presence required in any of the transactions. Fund transfers, monetary transactions, contractual and regulatory settlements, and information exchanges are all done online.

Digital Distribution
In the traditional MPF model, distribution of paper documents and physical, contact-based customer service accounted for more than 30% of total cost. Moving to digital distribution and document management is expected to significantly reduce distribution cost.

Knowledge Management
In order to retain the best customers, MPF providers should supply their customers the most appropriate product and service information. Informed customers often prefer to make their own decisions in designing their MPF investment plan. The e-MPF business model suggests increasingly active and dynamic investment behavior.
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