Exploring the problem situation of parallel trading in Hong Kong with the enriched rich picture building exercise (ERPBE)

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Abstract:

Parallel trading has been a conflictual societal issue in Hong Kong for several years. By means of the newspaper article study, the paper carries out an enriched rich picture building exercise (ERPBE) to expose the tremendous soft complexity of the problem situation of parallel trading. Other than serving the purpose of exploring the parallel trading issue in Hong Kong, the paper provides an example of how to carry out the newspaper article study and the ERPBE, both of which are relatively new research topics. In this regard, the paper can be conceived as a follow-up paper on the recent writings by the writer on the research topic of newspaper article study and ERPBE.

Key words: Newspaper article study; Parallel trading; Soft complexity; The rich picture building exercise (RPBE); The enriched rich picture building exercise (ERPBE); The problem situation; The Soft Systems Methodology (SSM)

Introduction

The issue of parallel trading has been plaguing Hong Kong since 2012 although this activity has been around much earlier (Wikipedia, 2015). This paper examines the nature of the issue by means of the rich picture building exercise of the Soft Systems Methodology (SSM) of P.B. Checkland. Such an

intellectual exercise has the practical value to inform exploration of constructive measures to address such an issue of substantial concern in the society of Hong Kong. Via the application of the rich picture building exercise (RPBE) and the newspaper article study, the paper also has certain academic value by illustrating these two practices and contributing to the development of them.

The notions of "the problem situation" and soft complexity

The notion of "the problem situation" as considered here comes from the conventional 7-stage Soft Systems Methodology (SSM) of Checkland (1981). This notion has been explained by other writers (Ho, 1986; 2015a). To comprehend the "problem situation notion in the context of the SSM, it is useful to refer to the 7 stages of the SSM (Checkland and Scholes, 1990)[1], which are:

> *Stage 1*: "Problem situation considered problematic"
> *Stage 2*: "Problem situation expressed"
> *Stage 3*: "Root definitions of relevant purposeful activity systems"
> *Stage 4*: "Conceptual models of the systems (holons) named in the root definitions"
> *Stage 5*: "Comparison of models and real world"
> *Stage 6*: "Changes: systemically desirable and culturally feasible"
> *Stage 7*: "Action to improve the problem situation"

The 7-stage SSM has long been superseded by an improved version, which is explained by Checkland and Scholes (1990). There are also other Soft Systems Methodologies and models specifically for information systems planning and development,

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[1] Readers need to refer to Checkland (1981) and Checkland and Scholes (1990) for an explanation of the academic jargons used in the SSM.

see, for examples, Stowell (1995), Wilson (1984) and Checkland and Holwell (1998). Nevertheless, the 7-stage methodology remains popular for teaching SSM to students. In particular, the rich picture building exercise (RPBE), which is employed in stage 2 of the methodology, has been being researched on in the academic community (Ho, 2015a). This paper is yet another work that examines this rich picture building exercise.

From the Soft Systems Thinking perspective, problems do not exist objectively in the real world waiting to be discovered. In a particular problem context, different stakeholders may be unhappy about the situation for dissimilar reasons and thus perceive different problems about the situation. All the stakeholders involved do consider the situation to be problematic though. It is due to this reason that stages 1 and 2 of the conventional SSM talk about the problem situation as problematic, thus sparing minimal efforts to discover agreed-on problems from the problem situation. To express the problem situation, at stage 2 of the conventional SSM, efforts are made to involve stakeholders to participate in a brainstorming session that makes use of drawing in cartoon form. The cartoon diagram is the rich picture produced from such a brainstorming rich picture building session.

A typical rich picture has a number of key elements, namely: (i) stakeholders, (ii) stakeholders' concerns, (iii) structures, (iv) processes, (v) conflicts, and (vi) directions of attention for certain stakeholders (Ho, 2015a). It sets out in terms of 'process', 'structure' and 'environment' which "may indicate that the problems perceived…. cannot be explained by a particular cause or eased in a piecemeal way because problems are usually interconnected with each other…" (Ho, 1986). Thus, one message very often conveyed by a rich picture so constructed is the high level of soft complexity possessed by the problematic problem situation. What it means is that the problem situation is made up of a number of interacting elements with disagreements and conflicts among various

stakeholders, so that different stakeholders have different concerns and hold diverse problem perceptions that are often incompatible. The nature of soft complexity can be further analysed by means of the System Complexity Model of Ho, see Ho (1986), Ho and Sculli (1995) and Ho (2014). By gaining a fuller understanding of the problem situation via the RPBE, the stakeholders involved in the collective SSM learning process are then better prepared to generate insightful ideas that can alleviate the problematic situation. This latter process of brainstorming solutions in a collaborative learning mode is again guided by the SSM. This part of the SSM process is outside the scope of study in this paper, however.

The conventional and unconventional RPBE

The conventional RPBE with drawing of cartoons needs not be the only way to express the problem situation, though. This is the suggestion made by Ho (1986) and Ho and Jackson (1987). Via a case study (Ho and Jackson, 1987; Ho, 1986), they illustrate the value of using non-cartoon diagrams to express the problem situation. In this dated case study (Ho, 1986; Ho and Jackson (1987), the cognitive mapping of Eden *et al.* (1983), together with diagrams and rating forms based on management theories from Mintzberg (1983) and Ansoff (1984), have been employed to portray the problem situation of a company. For Ho (2015a), this represents an unconventional RPBE. Nevertheless, unlike the conventional RPBE, the unconventional RPBE has not caught the attention of the academic community at all. In spite of that, Ho (2015a) offers a number of possibilities to go through the RPBE based on the recognition of the two types of RPBE and encourages more RPBE research with the broader space of imagination opened up by these additional possibilities. In this paper, the conventional-cum-unconventional RPBE, i.e., an enriched RPBE (or ERPBE), is carried out to study the issue of parallel

trading in Hong Kong. This is done by the construction of two rich pictures, i.e., the conventional one with cartoon drawings and the unconventional one with a cognitive map. The whole exercise is informed by the practice of newspaper article study.

Using newspaper article study on the issue of parallel trading in Hong Kong for the ERPBE

The problem exploration exercise on the parallel trading issue in Hong Kong is informed by the newspaper article study from the writer, relying primarily on the *South China Morning Post* website. Generally speaking, parallel trade takes place "when products produced under the protection of a patent, trademark, or copyright in one market are subsequently exported to a second market and sold there without the authorization of the local owner of the intellectual property (IP) right" (Matthews and Munoz-Tellez, 2007). In our case, the parallel trading issue in Hong Kong is about "the phenomenon of mainland parallel traders taking advantage of multiple entry visa policy to import goods from Hong Kong to Mainland China" (Wikipedia, 2015). This issue causes shortage of certain household goods, e.g., baby formula, as well as congestions in certain locations, e.g., the railway stations, in Hong Kong, see also Ho (2015b) for illustrative photos, videos and news. The Hong Kong parallel trading issue touches on topics from the disciplines of tourism (e.g., Lai *et al*. (2015).), logistics management (see, for example, Tsang and Nip (2013).), quality management (e.g., Tsang and Nip (2013).) as well as a number of social, economic, law enforcement (e.g., Tsang (2013).) and political concerns (e.g., Siu, Lo and Cheung (2015), Siu (2015), Siu, Kao and Chan (2015), and Lai and Li (2015).). Moreover, the issue is controversial. In the words of Mak (2015), it arouses "a huge uproar in the bordering districts of Hong Kong". Because of that, the parallel trading issue demands a multi-disciplinary and a trans-disciplinary way to comprehend it. In this regard,

using the RPBE based on the SSM is appropriate to explore this quite unbounded issue. However, it is not feasible for the writer to involve all the stakeholders related to the parallel trading issue to go through a collaborative RPBE together. Instead, the writer makes use of the newspaper article study to inform the RPBE in a single-person way in this case. Specifically for this paper, the writer makes use of the online search engine of the *South China Morning Post* to access archived newspaper articles on parallel trading, see *appendix 1*. Newspaper article study as a method to inform academic research projects has been explained by Ho (2015c), thus not further elaborated on here. Out of the newspaper article study exercise, the major stakeholders, the major stakeholders' concerns and related responses on the issue of parallel trading are identified. The information so gathered are organized and presented in Table 1.[2]

Table 1: Stakeholders, stakeholders' concerns and related responses on parallel trading in Hong Kong

Stakeholders	Stakeholders' concerns	Related responses from the stakeholders
A. Shenzhen Customs, PRC.	*AC1.* How to crack down on parallel trading across the border with Hong Kong.	*AR1.* A computerized system to detect suspected parallel-goods traders (Lam, 2013).
B. Traditional stores serving the local communities in Hong Kong.	*BC1.* Store rentals have increased too much.	*BR1.* Close down or crowd out the traditional local stores (Siu and He, 2015).
C. The Central Government, PRC.	*CC1.* Parallel trading creates social tensions and disruptions to daily routines in Hong Kong.	*CR1.* Replace multiple-entry visas with once-a-week entry permits to Shenzhen citizens (Siu and He, 2015).
D. Parallel traders and their syndicates, both from Shenzhen and Hong Kong.	*DC1.* How to manage the parallel trading activities in a hostile environment.	*DR1.* Turn "public spaces around Louhu checkpoints and subway station into a …open-air marketplace" (He, 2014). *DR2.* Recruit Hong Kongers on Facebook to work as part-time parallel-goods traders (Kao and Siu, 2015). DR3. Develop measures to help parallel-goods traders to evade

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[2] Due to limited space in this paper, the information provided in Table 1 is meant to be representative and illustrative, not comprehensive.

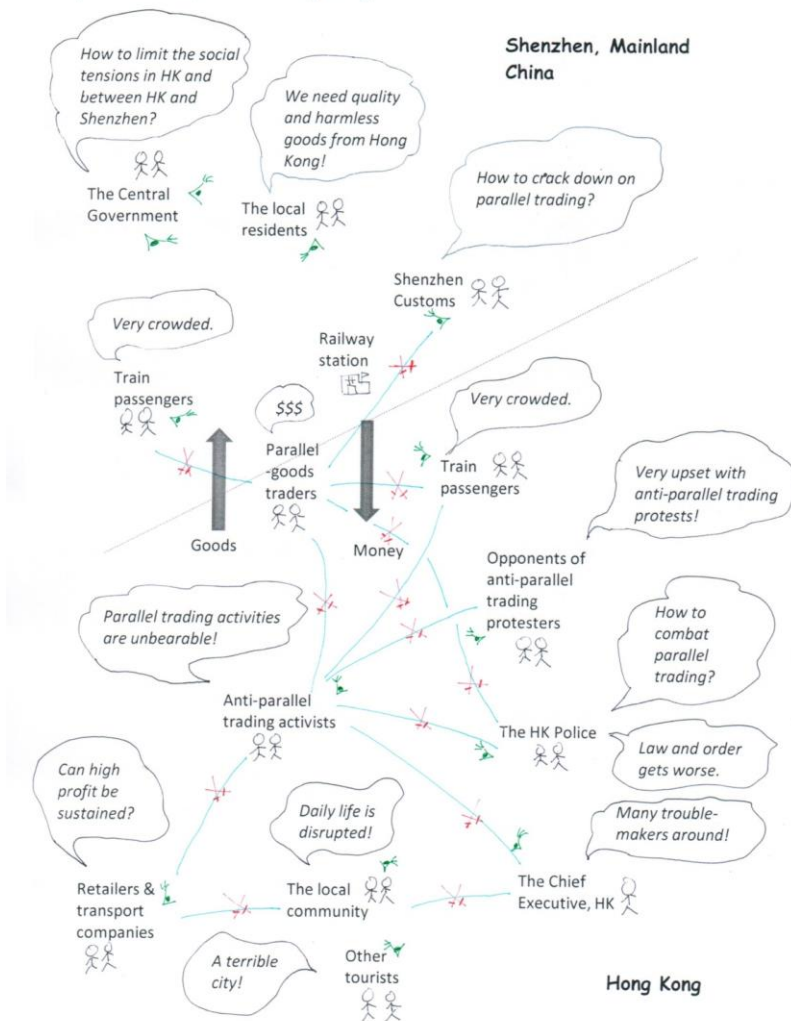|			arrest (Lo, 2015).
E.	Anti-parallel trading activists.	*EC1*. Feel strongly disturbed by the parallel trading activities in Hong Kong and motivated to protest.	*ER1*. Organize protests against parallel trading activities at various places, e.g., Chief Executive Leung Chun-ying's residence (Siu, Kao and Chan, 2015).
F.	The Chief Executive Leung Chun-ying, Hong Kong.	*FC1*. How to alleviate the negative impacts of parallel trading and anti-parallel trading activities in Hong Kong?	*FR1*. Complain that the anti-parallel trading activities harm the local tourism sector (Nip, 2015).
G.	The Hong Kong Government, including the Immigration Department and the Police in Hong Kong.	*GC1*. How to combat parallel trading-related illegal activities in Hong Kong?	*GR1*. Arrest mainlanders who participate in parallel trading under the Immigration Laws of Hong Kong (Tsang, 2014). *GR2*. Combat and arrest anti-parallel trading protestors with batons and pepper spray (Kao, 2015). *GR3*. Blacklist and, sometimes, refuse mainlanders as parallel-goods traders to enter into Hong Kong (Chan, 2015). *GR4*. Implement measures to limit milk formula exports from Hong Kong (Lee and Ho, 2013; Lai 2013; Ng, 2013; Tsang 2013).
H.	Affected local citizens in Hong Kong.	*HC1*. Feel disturbed by the negative impact of parallel trading on their daily life.	*HR1*. Complain in private and openly about the disturbances caused by the parallel trading activities (Tsang, 2014; Kao and Siu, 2015; SCMP Editorial, 2015a).
I.	Retail shops serving mainlanders and transport companies.	*IC1*. Feel disturbed by the anti-parallel trading activities and mood towards their mainland customers in Hong Kong.	*IR1*. Complain about the negative impacts that anti-parallel trading activities create on their businesses of serving mainland customers in Hong Kong (SCMP Editorial, 2015b).
J.	Political groups against anti-parallel trading activities.	*JC1*. Feel disturbed by the anti-parallel trading activities and mood toward their mainland customers in Hong Kong.	*JR1*. Monitor and record anti-parallel trading protests as well as protest against anti-parallel trading activities direct on the spots (Tsang, 2015).
K.	Shenzhen residents.	*KC1*. Feel disturbed by the anti-parallel trading protests in Hong Kong.	*KR1*. Complain about the anti-parallel trading protests in Hong Kong (Sung, 2015).
L.	Miscellaneous interest groups in the society on the parallel trading issue in Hong Kong.	*LC1*. Feel the need to more productively evaluate the impacts of parallel trading activities in Hong Kong.	*LR1*. University students produce humorous Youtube videos on parallel trading to raise social awareness of the parallel trading issue (Kung, 2015). *LR2*. Make proposals intended to offer more effective relief from

			parallel trading activities, e.g., building border shopping in Hong Kong, and establishing duty-free shopping centers in Shenzhen (Wong, 2015).
M.	Parallel-goods traders and parallel trading syndicates.	*MC1.* Feel the pressure from anti-parallel trading protests and the law enforcement from the HK Police, the HK Immigration Department and the mainland Customs Department.	*MR1:* Develop new tactics to evade arrest (Lo, 2015).

The information from Table 1 can be quite readily utilized in a conventional RPBE, as it also needs to identify stakeholders and their respective concerns in a problem situation (Ho, 2015a). More than that, the newspaper article study is able to inform the construction of a cognitive map to further express the problem situation of parallel trading in Hong Kong. The ERPBE, comprising the conventional and unconventional RPBE, is presented in the next section.

An analysis of the parallel trading problem situation based on the ERPBE

In a problem situation where different stakeholders are dissatisfied but for dissimilar reasons, there is no commonly shared problem definition among the stakeholders. In this case, it is more appropriate to apply the notion of a "problem situation" rather than a [commonly agreed] "problem", based on Soft Systems Thinking. Such a problem situation exists with the parallel trading issue in Hong Kong as manifested by Table 1 wherein significant diversity of shareholders' concerns and responses is present. Thus, based on the newspaper article study and the resultant Table 1, the writer constructs a conventional rich picture. This is presented in Figure 1.

Figure 1: A conventional rich picture on the parallel trading problem situation in Hong Kong

From the rich picture of Figure 1, the main rich picture elements can be identified as follows:

Element 1: Stakeholders and their concerns:

- *The Central Government*; the <u>main concern</u> is: how to relieve the social tensions in Hong Kong as well as between HK and Shenzhen?

- *Local residents in Shenzhen*; the <u>main concern</u> is: how to ensure supply of reliable goods from Hong Kong?
- *Shenzhen Customs*; the <u>main concern</u> is: how to crack down on parallel trading?
- *Train passengers*: the <u>main concern</u> is: the railway station and trains are very crowded.
- *Parallel-goods traders*; the <u>main concern</u> is: can the current form of parallel trading activity be sustained?
- *Anti-parallel trading activists (including the protesters)*; the <u>main concern</u> is: parallel trading activities are unbearable.
- *Opponents of anti-parallel trading protesters*; the <u>main concern</u> is: very upset with anti-parallel trading protests.
- *The Hong Kong Police*; the <u>main concerns</u> are: (i) how to combat parallel trading? (ii) law and order gets worse.
- *The local community of Hong Kong*; the <u>main concern</u> is: daily life is disrupted.
- *The Chief Executive of Hong Kong*; the <u>main concern</u> is: many trouble-makers (i.e., anti-parallel trading activists) are around.
- *Retailers and transport companies*; the <u>main concern</u> is: can high profit be maintained by serving the large group of parallel-goods traders?
- *Other tourists*; the <u>main concern</u> is: the city of Hong Kong is terrible.

Element 2: Directions of attention [the "eye" symbols]:
- *Local residents in Shenzhen* pay attention to the supply of parallel trading goods to Shenzhen.
- *Shenzhen Customs* pays attention to the severity of parallel trading activities across the border.
- *Train passengers* pay attention to the impact of parallel trading activities on the train service quality.

- *Anti-parallel trading activists (and protesters)* monitor the impacts of parallel trading activities on the local community in Hong Kong.
- *Opponents of anti-parallel trading activists* monitor anti-parallel trading protests.
- *The local community in Hong Kong* monitor the impacts of parallel trading activities on their daily life.
- *The Chief Executive of Hong Kong* monitors the anti-parallel trading protests and the impacts of parallel trading activities on the society.
- *The Hong Kong Police and the Hong Kong Immigration Department* monitor the impact of anti-parallel trading protests on law and order as well as the severity of parallel trading activities in Hong Kong.
- *Other tourists* monitor the attractiveness of Hong Kong as a tourism destination.

Element 3: Tangible structures:
- Examples of tangible structures are (i) the Shenzhen Customs building and (ii) the railway stations in Hong Kong and Shenzhen.

Element 4: Intangible structures:
- Examples of intangible structures are (i) the working relationship between the Chief Executive of Hong Kong and the Hong Kong Police, (ii) the working relationship between the Chief Executive of Hong Kong, (iii) the Central Government, and (iv) the working relationship between the Hong Kong Police, the Immigration Department and the Shenzhen Customs.

Element 5: Processes:
- Examples of processes are: (i) the logistics operation of parallel trading across the border between Shenzhen and Hong Kong, (ii) the daily life routines of the local

community of Hong Kong, and (iii) the protest activities of anti-parallel trading and that of opponents towards the anti-parallel trading activists.

Element 6: Conflicts [the "swords' symbols]:

- Examples of conflicts are those between: (i) the local community of Hong Kong and the retailers and transport companies, (ii) the Chief Executive of Hong Kong and anti-parallel trading activists, (iii) the Hong Kong Police and the anti-parallel trading activists, (iv) the Hong Kong Police/ the Hong Kong Immigration Department and the parallel-goods traders, (v) the anti-parallel trading activists and their opponents, (vi) the anti-parallel trading activists and the parallel-goods traders, (vii) the train passengers and the parallel-goods traders, and (viii) the parallel-goods traders and the Shenzhen Customs.

The conventional rich picture, as revealed by Figure 1, is gripped by soft complexity. That is, there are a number of stakeholders with different concerns as well as conflicts among themselves and there are a number of inter-related processes involved. Figure 2 is another way to portray the problem situation as complex and soft. This one is done with the cognitive mapping technique (Eden *et al.*, 1983), and is a typical exercise in an unconventional RPBE (Ho, 1986; Ho and Jackson, 1987).

Figure 2: A cognitive map on the parallel trading problem situation in Hong Kong
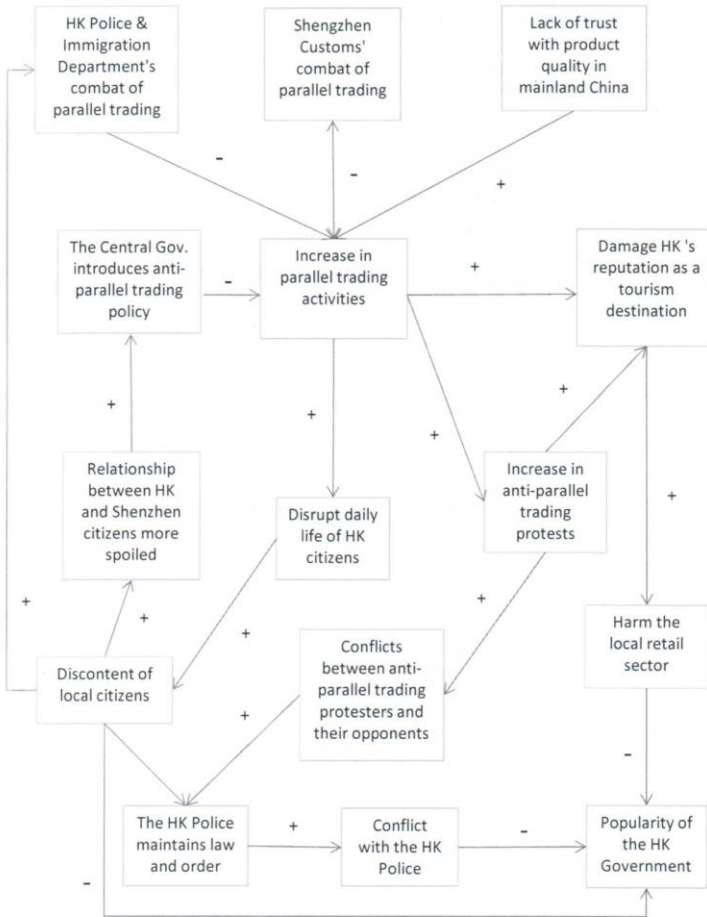

Figure 2 identifies a number of variables, e.g., concerns, activities, policy options, and outputs/ outcomes related to parallel trading that interact in a way to make up a systemic and dynamic problem situation. The figure also indicates the conflicts involved in the problem situation with the parallel trading issue, as they are represented as variables in the cognitive map, e.g., "conflict with the HK Police" and "Conflicts

between anti-parallel trading protesters and their opponents". The arrows in Figure 2 represent cause-effect relationships. A + sign means that an increase in variable A leads to an increase in variable B while a – sign shows that an increase in variable A leads to a decrease in variable B. In addition, some of the variables form feedback loops, which implies mutual causality among the variables. For feedback loops that are positive, they are self-amplifying. As to those feedback loops that are negative, they are self-stabilizing. An example of a negative feedback loop in Figure 2 involves the variables of "The Central Gov. introduces anti-parallel trading policy", "Increase in parallel trading activities", "Disrupt daily life of HK citizens", "Discontent of local citizens", and "Relationship between HK and Shenzhen citizens more spoiled". [The signs involved in this feedback loop are -, +, +, +, +. Overall, it is a negative feedback loop.] Broadly speaking, the variables in the cognitive map of Figure 2 are of three types:

Type 1 - policy option variables: This type of variables has outgoing arrows, but may have no incoming arrows. Examples are: "The Central Government introduces anti-parallel trading policy" and "HK Police & Immigration Department's combat of parallel trading".

Type 2 – intermediate variables: This type of variables unfailingly has both incoming and outgoing arrows. Examples are: "Disrupt daily life of HK citizens" and "Conflicts between anti-parallel trading protesters and their opponents".

Type 3 – output/ performance outcome variables: This type of variables inevitably has incoming arrows. Examples are: "Popularity of the HK Government" and "Damage HK's reputation as a tourism destination".

Comparing Figures 1 and 2, Figure 1 is clearer in expressing the inter-subjective (soft) aspect of a problem situation because different concerns of various stakeholders are clearly indicated while Figure 2 is better at capturing the systemicity of the problem situation with explicit cause-effect relationships among various variables. All in all, Figures 1 and 2, as the outputs of the ERPBE, complement each other in rendering a rich picture of the problem situation as full of soft complexity. In current form, Figures 1 and 2 are intended to highlight in a holistic way the main factors perceived by the writer, based on the newspaper article study, to be valuable to comprehend, communicate and stimulate discussion of the Hong Kong parallel trading issue in the Soft Systems Thinking mode. However, the enriched rich picture, as portrayed by Figures 1 and 2 together, is not intended to be an "objective" picture of the problem situation and it is definitely not meant to prove that there are "objective" systems about parallel trading out there in the real world. To think this "objective" way would be anti-Soft Systems Thinking whereas the ERPBE is theoretically anchored on Soft Systems Thinking or Critical Systems Thinking (Hom 2015a).

Concluding remarks

Via the ERPBE as put forward by Ho (2015a) and the newspaper article study (Ho, 2015c), the tremendous soft complexity of the problem situation on parallel trading is unveiled. For a brief academic paper like this, the ERPBE cannot be further enhanced. Nevertheless, as a whole, the enriched picture as depicted by Figures 1 and 2 with Table 1 as a supporting document, lends support to the view that the parallel trading issue in Hong Kong should not be conceived as a problem. Instead, it should be viewed as a problematic "problem situation". Based on Soft Systems Thinking, exploring the issue this way is able to inform subsequent collaboration to

work out desirable and feasible solutions as guided by the SSM. Moreover, this paper provides an illustration on the practice and value of the newspaper article study and the ERPBE, both of which are quite recent research topics raised by Ho (2015a; 2015c). In this respect, the paper is a follow-up paper on these two research topics. It is foreseeable that the illustrative example with parallel trading will be revisited in future research on these two research topics. Finally, both the newspaper article study and the ERPBE can also be considered as a valuable means for managerial intellectual learning (Ho, 2013). Therefore, refining knowledge on them also contributes to the theoretical development of the managerial intellectual learning topic.

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Appendix

Appendix 1: Search result with the key words of 'parallel trading" from the search engine of the *South China Morning Post* website, dated May 25, 2015.