

Global Entrepreneurship Monitor

Hong Kong & Shenzhen 2009

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SUMMARY

- Within the Global Entrepreneurship Monitor, a consortium of over 300 scholars from 54 countries world wide, The Chinese University of Hong Kong and the Shenzhen Academy of Social Sciences conducted polls from May through August 2009 to benchmark business start-up activity.
- In Hong Kong and Shenzhen 3.6 percent and 4.8 percent of the adult populations respectively are involved in early stage entrepreneurship – either setting up new companies (1.6 percent and 2.2 percent) and/or managing firms less than 3.5 years old (2.2 percent and 2.6 percent). In Hong Kong and Shenzhen 2.9 percent and 1.6 percent of the adult populations are entrepreneurs in established owner-managed companies. These levels of entrepreneurship are relatively low.
- Adjusting for Gross Domestic Product per capita, entrepreneurship prevalence rates of Hong Kong and Shenzhen are also low.
- Both Hong Kong and Shenzhen have experienced dramatic drops in entrepreneurial prevalence since our last studies in 2007 and 2004 respectively.
- Deterioration in confidence and dramatic changes in the perception of entrepreneurship have caused these drops in entrepreneurial prevalence.
- The proportion of entrepreneurs who start business out of necessity rather than to take advantage of opportunities has declined in Hong Kong but increased in Shenzhen.
- The higher the educational attainment level of a person in both Hong Kong and Shenzhen, the more likely the person is to start a company. This differs in the rest of China where entrepreneurship is a decreasing function of educational attainment.
- The richer the person in both Hong Kong and Shenzhen, the more likely the person is to start a company. This differs in the rest of China where entrepreneurship levels are similar across income levels.
- In Hong Kong and Shenzhen 20 percent and 45 percent respectively of total early stage entrepreneurs expect their new firms to grow rapidly. These high proportions exceed those of China (14 percent) and the US (9 percent).
- Hong Kong's start-ups, like those in the rest of China, have seen over the last two years an increase in use of high technologies, at the same time as start-ups in the US and the UK have seen a fall use of high technologies.
- Informal investment has fallen in Hong Kong from 2007, when 7.9 percent of the population had recently invested in start-ups to 2009 when 2.6 percent had recently invested in startups. Shenzhen's 2009 rate of informal investment is a slightly higher 3.8 percent.
- In both Hong Kong and Shenzhen, experts feel that weaknesses in government policies and programs, education and training, and financial support are detrimental to the entrepreneurial environment. In addition, Hong Kong experts are concerned over cultural and social norms while Shenzhen experts are concerned about ineffective R&D transfer to new and growing firms.



RECOMMENDATIONS

Hong Kong Recommendations

- Reform education to train the next generation to be creative and entrepreneurial; fund media initiatives in education to publicize the importance of entrepreneurs and innovators as role models; encourage young to start businesses; pursue lifelong learning in business.
- Clarify the industrial policy; improve consultation; expedite policy determination; set up a one stop shop on government policies and programs for entrepreneurs
- The financial community with coordination from the government should build capacity to provide debt and equity financing channels to early stage growth companies.
- Prospective entrepreneurs should throw away the safety net and take responsibility for their own success or failure; they should be self-reliant, creative, sensitive to global market demand, appropriately cautious; attuned to fashions and not looking to government for support.

Shenzhen Recommendations

- Carry out administrative reforms to improve and increase government services to new and growing businesses.
- Increase financing sources for new and growing businesses.
- Improve further the physical and professional infrastructure for the benefit of new and growing firms.
- Invest more in entrepreneurial education and training.
- Establish research and development transfer systems for new, small and developing businesses.
- Encourage industry associations to perform greater roles in the economy.
- Improve the moral quality of entrepreneurship.

FOREWORD

Many people do not even notice that Hong Kong, being only a tiny territory, has a long tradition of vibrant entrepreneurship with a global focus. Nonetheless, a long tradition does not guarantee a bright future because entrepreneurship cannot be taken for granted.

In my capacity as Vice-President for research at The Chinese University of Hong Kong (CUHK), I have the duty to promote knowledge transfer between the academic community and the business sectors in Hong Kong, the Chinese mainland, and the rest of the world. To foster all these activities, I need to work closely with the Centre for Entrepreneurship through our Committee for the Advancement of Student Innovation and Entrepreneurship. In these endeavors, I found out that I have a great deal to learn if CUHK is to effectively promote knowledge-based entrepreneurship.

Throughout my long career as an academic, I have been participating actively in various joint research programs with colleagues on the Chinese mainland. It is my great pleasure to witness that the study of entrepreneurship in Hong Kong and Shenzhen has been intensively supported by the Shenzhen Academy of Social Sciences through a very fruitful cooperation with CUHK extending over many years.

The gradual integration of Hong Kong and Shenzhen presents tremendous opportunities for both cities to continue their extraordinary development. CUHK is playing its part in this development through numerous initiatives, of which I note just three. First, our partnership in the Shenzhen Institute of Advance Technology is the first such involvement of a non-Mainland university in a national research institute. Secondly, CUHK will open its own CUHK Shenzhen Research Institute in 2011 in Nanshan. Thirdly, we are in the advanced stages of planning a new CUHK campus in Shenzhen. We believe that these and other initiatives will contribute to the development of the next generation of globally important companies in the Pearl River Delta.

I would like to thank my colleagues at CUHK and the Shenzhen Academy of Social Sciences for their work in this joint research.

Professor Henry Wong Nai Ching

*Pro-Vice-Chancellor/ Vice-President
The Chinese University of Hong Kong*



FOREWORD

I am pleased that the Global Entrepreneurship Monitor 2009 Hong Kong and Shenzhen Report is finally completed, and my gratitude must go to The Chinese University of Hong Kong Center for Entrepreneurship for inviting me to write a foreword for such a commendable report. With research information collected from all over the world, this book provides an in-depth and easy-to-comprehend analysis of the situation of entrepreneurship and the difficulties that people may encounter in the startup of their own business. The analysis is made based on data, providing a scientific account on the entire subject, and a series of recommendations are given out to deal with the different aspects concerned. It is also my honour to have the opportunity to sponsor the publication of the book, so that more people can observe and further understand the development of entrepreneurship in Hong Kong, analyzing and seizing market opportunities, creating unlimited business opportunities and continuing Hong Kong's entrepreneurial spirit.

Beginning with a study in 1999 on entrepreneurial development in 10 countries, GEM is the world's most scalable research report on entrepreneurship, with information on the situation of entrepreneurship in 55 economies. Through comparison with the rest of the world, it studies and analyses the core of entrepreneurial conditions in Hong Kong and Shenzhen, providing a valuable reference for entrepreneurs in the business community. With in-depth analysis on regional government policies, citizens' education levels and the entire social culture, it is indeed rare reading material.

The report also shows that Hong Kong people nowadays are much less enthusiastic about starting their own business, compared to people in China and Shenzhen. How can we look into public policies and improve the overall entrepreneurial environment, so that Hong Kong people will enhance and glorify the spirit of entrepreneurship and bring genuine creativity into full play? A systematic data analysis is available in the report. The government has been placing great emphasis on supporting the development of small and medium enterprises. Various measures and schemes have been launched to support entrepreneurs, such as the Support and Consultation Centre for SMEs (SUCCESS), the SME Funding Schemes, the Small Entrepreneur Research Assistance Programme under the Innovation and Technology Fund, and the Design-Business Collaboration Scheme under the DesignSmart Initiative. Through this report, the government can be well-prepared and formulate comprehensive entrepreneurial policies. After all, pre-preparation is indispensable for entrepreneurs to succeed in their own business and excel in market competition.

I hope this book will enable people from all walks of life to plan well for their future with insight gained by reflecting the past. I also wish this book will re-ignite Hong Kong people's dream of entrepreneurship, hence creating a larger and wider business space in Hong Kong.

Mr. Edwin Lee

Founder and CEO

Hong Kong Business Intermediary Co. Ltd

ACKNOWLEDGEMENTS

On behalf of the Center for Entrepreneurship of The Chinese University of Hong Kong and GEM Hong Kong and Shenzhen Team members, I would like to thank the many people who made this report possible.

More than 4,000 Hong Kong and Shenzhen residents responded to our telephone interviews in the 2009 Adult Population Study, conducted by Consumer Search Hong Kong. Those respondents, together with seventy-two experts on entrepreneurship listed in Appendix 5 displayed patience and generosity with their time, giving us answers, the analysis of which forms this report.

We held a news conference on Monday January 18th, 2010 to release the summary results of our research to coincide with the publication of the GEM 2009 Global Report at the Annual General Meeting held in Santiago, Chile. We owe a large debt of gratitude to the hundreds of scholars from around the world in the GEM Consortium with whom we are privileged to cooperate and whose research led to the Global Report. We thank our Hong Kong news conference panelists Mr. Kin Ko and Mr. Edwin Lee for joining members of our research team to discuss the results.

Our production team deserves special thanks. We relied heavily on the research assistance of Fanny Wan Pui Fan and Eric Leung Ho Yin and on additional help from Jason Lau, Daisy Wong Wai Jong and Jamie Wong Wing Shuen. The manuscript was professionally translated by Wong Hok Tak. And, throughout, Rosanna Lo Wing Shan, the Executive Officer of the Center for Entrepreneurship, managed the progress of the report with a steady and competent hand.

The work of Center for Entrepreneurship is made possible by the active support we receive from Professor Henry Wong Nai Ching, Pro-Vice-Chancellor/Vice-President and Chairperson for Knowledge Transfer Unit and Research Committee and Professor T. J. Wong, Dean of the Faculty of Business Administration of CUHK. Thank you for your continuing faith in us. This year, the cost of the report was financed partly by generous external donors: we especially thank the Shenzhen Municipal Development Fund for the Promotion of Culture and Mr. Edwin Lee of Hong Kong Business Intermediary. Funding always presents a challenge for applied research, and we are currently seeking support through which we can continue this important study in years to come.

Finally, I sincerely thank you, the reader, for your interest in GEM Hong Kong and Shenzhen 2009; I welcome your comments and criticisms, and I take responsibility for mistakes that remain in the report.

Professor Hugh Thomas

Director

Center for Entrepreneurship

The Chinese University of Hong Kong



TABLE OF CONTENTS

i	Summary	2-3	4.4	Research and Development Transfer	79
ii	Recommendations	4	4.5	Commercial and Professional Infrastructure	79-80
iii	Foreword	5-6	4.6	Market Openness and Market Entry Barriers	80-82
	- Professor Henry Wong		4.7	Access to Physical Infrastructure	83
	- Mr. Edwin Lee		4.8	Cultural and Social Norms	83-87
iv	Acknowledgements	7	5.0	Recommendations	88
v	Table of Contents	8-10	5.1	Hong Kong	88-92
vi	Table of Figures	11-12	5.2	Shenzhen	93-96
Content					
1.0	Introduction	13	6.0	Practical Insight and Advice	97
1.1	Background	13	6.1	Comparing Different Entrepreneurial Models	98-100
1.2	Entrepreneurship as an Engine of Growth	14-15	6.2	An Analysis of the Entrepreneurial Environment in Hong Kong	100-103
1.3	Definitions of Entrepreneurship	16-17	6.3	Ten Reasons for Entrepreneurial Failures	103-106
2.0	Findings	18			
2.1	Entrepreneurial Prevalence Rates	18-21			
2.2	The Global Financial Crisis: Changing Attitudes	21-26			
2.3	Characteristics of Entrepreneurs	26-34			
2.4	Industries of Enterprises	35			
2.5	Impact	36-41			
2.6	Exit	42-43			
2.7	Investors	44-45			
3.0	Entrepreneurial Framework Conditions: Hong Kong	46			
3.1	Government Policies and Programs	48-57			
3.2	Education and Training	58-61			
3.3	Cultural and Social Norms	62-64			
3.4	Financial Support	64-69			
4.0	Entrepreneurial Framework Conditions: Shenzhen	70			
4.1	Financial Support	71-73			
4.2	Government Policies and Programs	73-77			
4.3	Education and Training	77-78			

Appendixes

A1.0	Methodology	107
A1.1	How GEM Determines Levels of Entrepreneurship	107
A2.0	Detailed Tables and Figures (All GEM Members)	109
A2.1	Entrepreneurship Activity in 2009	109-111
A2.2	Measures of Entrepreneurship in 2009 as a function of Real GDP per Capita	112-114
A2.3	Entrepreneurship Attitudes in 2009	114-115
A2.4	Entrepreneurship Attitudes towards Starting a Business in 2009	116-117
A2.5	Early Stage Entrepreneurial Activity Prevalence Rates by Gender in 2009	117-118
A2.6	Industry Distribution in All GEM Countries in 2009	119-120
A2.7	Market Impact of Early-stage Entrepreneurs and Established Businesses in 2009	120-121
A2.8	Distribution of Non-local Consumers in 2009	122-123
A2.9	Exit Rates in 2009	123-124
A2.10	Prevalence Rates of Informal Investors in 2009	125
A3.0	Response to Expert Interviews	126
A3.1	Response to the Expert Interview Questionnaire, Comparing 2009 to 2003, 2004 and 2007, Hong Kong	126-128
A3.2	Response to the Expert Interview Questionnaire, Comparing 2009 to 2003 and 2004, Shenzhen	129-130
A3.3	Three Entrepreneurship Framework Conditions Ranked Most Positive and Three Entrepreneurship Framework Conditions Ranked Most Negative	131
A4.0	References	132
A5.0	Contributors to Expert Interviews	134
A5.1	The GEM Consortium	134-144
A5.2	List of Interviewed Experts	145-149
A5.3	Hong Kong Research Team	150-154
A5.4	Shenzhen Research Team	155-156

TABLE OF FIGURES

Figure 1	Entrepreneurial Prevalence Rates	19
Figure 2	2009 Entrepreneurial Activities as a Function of Gross Domestic Product Per Capita	20
Figure 3	2007 Entrepreneurial Activities as a Function of Gross Domestic Product Per Capita	21
Figure 4	2007 Entrepreneurial Activities as a Function of Gross Domestic Product Per Capita	22
Figure 5	Entrepreneurial Prevalence Rates in 2009 Compared with the Past	23-24
Figure 6	Entrepreneurial Attitudes	25
Figure 7	Entrepreneurial Attitudes	26
Figure 8	Entrepreneurs' Attitudes towards Starting a Business	27-28
Figure 9	Entrepreneurial Prevalence Rates among those who perceived opportunities	29
Figure 10	Opportunity versus Necessity Entrepreneurship	30
Figure 11	Ratio of Opportunity to Necessity Early-Stage Entrepreneurship as a Function of GDP per Capita	31
Figure 12	Early-Stage Entrepreneurial Activity Prevalence rate by Gender	32
Figure 13	Entrepreneurship and Income	33-34
Figure 14	Entrepreneurship by Age	35
Figure 15	Entrepreneurship by Educational Attainment	36
Figure 16	Industry Distribution of Entrepreneurship	37
Figure 17	High Growth Expectation Early-Stage Entrepreneurial Activity (HEA) in Hong Kong, Shenzhen and China from 2004 to 2009	38
Figure 18	High Growth Expectation Early-Stage Entrepreneurial Prevalence Rates in the world in 2009	39
Figure 19	Classification Procedures for Market Impact of Entrepreneurship	39
Figure 20	Market Impact of Early-stage Entrepreneurs and Established Business	40
Figure 21	Technologies or Procedures included on Products or Services	41
Figure 22	Non-Local Consumers	42
Figure 23	Exit Rates	43
Figure 24	Expressed Reasons behind Discontinuing Businesses, by Selected Countries	44
Figure 25	Prevalence Rates of Informal Investors	45
Figure 26	Relationships between Informal Investors and their Investees	45



1.0 INTRODUCTION

Figure 25	Relative Strength of Hong Kong Entrepreneurial Framework Conditions	47
Figure 26	Percentage of Weaknesses, Strengths and Recommendations by Entrepreneurial Framework Conditions in Hong Kong	48
Figure 27	Responses to Questionnaire on Government Policy	49
Figure 28	Responses to Questionnaire on Government Programs	55
Figure 29	Responses to Questionnaire on Education and Training	59
Figure 30	Responses to Questionnaire on Cultural and Social Norms	62
Figure 31	Responses to Questionnaire on Finance	65
Figure 32	Relative Strength of Shenzhen Entrepreneurial Framework Conditions	70
Figure 33	Percentage of Weaknesses, Strengths and Recommendations by Entrepreneurial Framework Conditions in Shenzhen	71
Figure 34	Summary of Expert Recommendations: Hong Kong	89

1.1 Background

This report investigates the current status of entrepreneurship in Hong Kong and Shenzhen and compares it with our recent past and with other countries in the world who participate in the Global Entrepreneurship Monitor (GEM). GEM is a not-for-profit research consortium initiated in 1999 with 10 countries. Since then, it has developed into the largest international consortium of entrepreneurship researchers in the world, made up of teams in 54 countries/regions (see Appendix 4.1), coordinated by the Global Entrepreneurship Research Association, an association governed by its founding partners, sponsors and member countries' research teams. GEM studies the causes, nature and consequences of entrepreneurship to help design effective policy.

Every national team is responsible for conducting the Adult Population Survey (APS) and National Expert Survey (NES). In each year that GEM is conducted, scholars can compare entrepreneurship between economies. And because GEM keeps the methodologies consistent from year to year, GEM builds up a time series panel data set.

The GEM 2009 Global Report summarizing this worldwide data-gathering and research activity was published on 14 January, 2010. Working with both the harmonized GEM international data set and with economy-specific data, each team in the 54 countries/regions also has committed to write local reports. The Global Report and various local reports can be found on the GEM website www.gemconsortium.org.

The Chinese University of Hong Kong Centre for Entrepreneurship joined GEM in 2002 and has undertaken five previous GEM local reports, three of which, including this report, were jointly undertaken with the Shenzhen Academy of Social Sciences¹. In this report, we focus on the level and characteristics of entrepreneurship in Hong Kong and Shenzhen in mid year 2009 and the entrepreneurial policies of the Hong Kong and Shenzhen governments in stimulating an appropriate level of entrepreneurship.

¹ GEM considers Hong Kong and Shenzhen to belong to a single region. See Ahlstrom et al (2002), (2003) and (2004), Au et al (2006), Thomas et al (2007) GEM Hong Kong reports are available on the website of The Chinese University of Hong Kong Centre for Entrepreneurship at http://entrepreneurship.baf.cuhk.edu.hk/content/gem_hk

1.2 Entrepreneurship as an Engine of Growth

What role does the entrepreneur play in the economy and how should policy influence that role? Views on these questions have evolved considerably in recent years. In the middle of the last century mainstream economists viewed the entrepreneur as a somewhat inefficient economic agent, maintained in spite of his or her inefficiency for political, social and (nostalgic) cultural reasons. At that time, mainstream economists viewed large multinational corporations (MNCs), which could realize technological improvements through R&D while maintaining vertical and horizontal efficiencies of scale and scope, as the most efficient economic agents.

Through the eighties and nineties, however, faith in the MNC as an engine of economic growth waned. Technology continued to be seen as critical but the MNC's role was challenged. Many formerly prominent US MNCs declined in the face of newly established enterprises, leading social scientists to reassess the role of entrepreneurs who implement new business models and new technologies. The "European Paradox" (European Commission 2007) where high levels of research occur in the same countries that have low levels of economic growth further revealed the dangers of ignoring the entrepreneurs. In the second decade of the 21st century, the entrepreneurs are seen as the major engine of growth in the modern economy. And entrepreneurship policy has become a necessary part of economic policy².

A parallel development has taken place in China. Prior to the opening of China, policymakers viewed the state-owned enterprise in the nationally planned economy as the appropriate agent to achieve large-scale, technology-driven efficient development. In the 1980s, as China opened its economy to market forces, entrepreneurs were allowed to compete for the first time since the foundation of the People's Republic of China. But it was only in the late 1990s that policymakers recognized the importance of the entrepreneurs (as opposed to "market forces"). In the last decade there has been a shift of state policy towards the promotion of entrepreneurship. Particularly, Chinese leaders have realized that much of the progress of the last 30 years has come through spontaneous entrepreneurship, but that demographics, the education system and the prevailing culture may undermine China's current remarkable entrepreneurial culture unless that culture is stimulated. Fear of loss of the three decades old driver of economic growth and employment has led the government to implement policies encouraging entrepreneurship as the economy matures.

Hong Kong's and Shenzhen's joint ambition to become Asia's global twin city lead the redefinition of positive non-interventionism and economic specialness. Within this joint redefinition, attention to entrepreneurship and policies to stimulate it, assume great importance.



² This evolution is most graphically portrayed in Saxenian (1994) and (2006).

1.3 Definitions of Entrepreneurship

A Broad Definition. To achieve the goal of stimulating entrepreneurship, one must define it. William Baumol, the first contemporary, famous economist to pay attention to the role of the entrepreneur in economic development, said,

“...entrepreneurs are persons who are ingenious and creative in finding ways that add to their own wealth, power and prestige ... (Baumol 1990 page 894).

According to Baumol, the percentage of entrepreneurs in the economy does not change nearly as much as the allocation of entrepreneurs in the economy. When entrepreneurs are adding to their wealth, power and prestige, what they *actually do* is critically important to economic development. The allocation can be productive, unproductive or destructive. Policymakers should define the rules of the game – laws and the way these laws are implemented – to make sure that entrepreneurs are productive rather than destructive.

Productive (as well as destructive) entrepreneurship often strays into the fringes of socially acceptability and legality. During the first decade of post – “Reform and Opening Up” (改革開放) China, it was as difficult to find a successful entrepreneur who, at some time in his career, had not been charged with a criminal offence as it is to find in the US today a successful entrepreneur who has not been involved in a civil lawsuit. By their natures, entrepreneurs engage in activities that challenge established practice. That challenging may run afoul of social norms and laws. Policy makers wishing to stimulate productive entrepreneurship must be aware of the powerful force of entrepreneurialism to challenge orthodoxy.

GEM Definitions. In GEM, we define entrepreneurship through counting the entrepreneurs who are starting companies. The most cited GEM definition of entrepreneurship, which we call “Early Stage Entrepreneurial Activity” (and which is described in Appendix 1), is the percentage of the adult working population between the ages of 18 and 64 that has, within the most recent three and a half years, started a company. As seen below, we refine the definition by differentiating among the reasons for start-up and augment the definition with the percentage of adults that run their own companies.

GEM definitions facilitate measurement and analysis of entrepreneurship but have drawbacks. On the one hand, GEM’s measures leave out entrepreneurs working in existing companies, public agencies, and non-government organizations. These entrepreneurs may be focused in activities enhancing productive efficiency and creating new products/services or, conversely, they may concentrate on rent-gathering and/or predatory, value-neutral or value-destroying activities. On the other hand, although most entrepreneurs setting up new companies (which are captured in the GEM definition) are creating value for society with their start-ups, some may simply transfer wealth to themselves in a zero sum game, while others might actually destroy wealth by degrading the environment, avoiding socially beneficial legal constraints, engaging in regulatory arbitrage, degrading ownership rights or engaging in manipulative speculation with no net social benefit³. These problems notwithstanding, however, the GEM definitions are the most widely and consistently implemented and analyzed definitions of entrepreneurship in the world today.

³ The activities of insider speculators, tax evaders, drug dealers, smugglers, intellectual property pirates etc. are certainly entrepreneurial in Baumol’s definition and, if they conduct their activities through new companies, are counted as entrepreneurs under the GEM definition, but most would agree that governments community leaders and society at large should restrict such activities with appropriate laws.

2.0 FINDINGS

2.1 Entrepreneurial Prevalence Rates

Figure 1 column 1 shows that levels of entrepreneurship were low in both Hong Kong and Shenzhen relative to major countries in the rest of the world as of mid 2009. In Hong Kong 3.6 percent of adult residents and in Shenzhen 4.8 percent of adult residents were engaged in early stage entrepreneurial activity⁴. These rates are comparable to those found in Japan and Russia but below those in the United States, where 8.0 percent of adult residents were involved in start-up activity, and well below those found in China where 18.8 percent of the population was involved in start-up activity.

Entrepreneurs in early stage entrepreneurial activities (column 1) were either committing resources to nascent firms where no regular salaries had yet been paid (column 2) or running new businesses where salaries had been paid for less than 3.5 years (column 3) or both.

Figure 1 also shows the percentage of the population running established businesses, (i.e. those that have paid salaries for more than 3.5 years). Again, Hong Kong and Shenzhen exhibit the low rates. And if one looks at the percentage of the populations either involved in early stage entrepreneurship (column 1) or running established owner-manager businesses (column 4) or both, one obtains the overall entrepreneurial activity index, where Hong Kong, Shenzhen and Russia share the bottom of the table with just over 6 percent of the population in entrepreneurship. Compare this 6 percent with China, where over one third of the adult population are entrepreneurs.

A major factor determining an economy's level of entrepreneurship is wealth or per capita income. Richer, more stable economies have lower intensities of startup activity than poorer, developing countries. Bosma and Levie (2010) explain this negative correlation between wealth and entrepreneurship as follows:

In countries with low levels of per capita income the national economy is characterized by the prevalence of many very small businesses. As per capita income increases, industrialization and economies of scale allow larger and established firms to satisfy the increasing demand of growing markets and to increase their relative role in the economy. An important factor for achieving growth is the presence of macro economic and political stability, which is reflected by the development of strong institutions, from commonly accepted norms of behavior to transparent and respected legal and regulatory systems. The increase in the role of

⁴ Note that we use the past tense because our observations were made through telephone surveys from May through July 2009. As we discuss below, because of the effects of the financial crisis on attitudes towards startups, those conclusions are likely to be subject to changes. See Figure 5 below.

large firms may be accompanied by a reduction in the number of new businesses, as a growing number of people find stable employment in large industrial plants. Thus, for countries with low levels of per capita income, a decrease in prevalence rates of early stage entrepreneurial activity may be a good sign of sustainability, especially if this is accompanied by economic growth and political stability. Toward the right-hand side of the figure, the role played by the entrepreneurial sector may increase because more individuals can access the resources necessary to start their own business in knowledge-intensive environments with abundant opportunities.

Figure 1: Entrepreneurial Prevalence Rates

Country / Region	1. Early Stage Entrepreneurial Activity (percentage)	2. Nascent Entrepreneurial Activity (percentage)	3. New Business Owner- Managers (percentage)	4. Established Business Owner- Managers (percentage)	5. Overall Entrepreneurial Activity (percentage)	6. Number of Observations	7. GDP per Capita (in 1000 USD PPP)
China	18.84	7.40	11.78	17.16	35.66	3,608	6.53
Hong Kong	3.64	1.63	2.22	2.93	6.53	2,000	42.64
Shenzhen	4.75	2.16	2.59	1.56	6.27	2,000	13.15
Brazil	15.32	5.78	9.75	11.84	26.88	2,000	10.07
Japan	3.26	1.92	1.34	7.84	10.54	1,600	32.95
Russia	3.88	1.77	2.29	2.28	6.04	1,695	15.18
United Kingdom	5.74	2.68	3.20	6.07	11.66	22,881	35.40
United States	7.96	4.91	3.16	5.87	13.68	3,412	46.44

Note:

Early Stage Entrepreneurial Activity (column 1) is the percentage of the adult population that has started a firm in the last 3.5 years. Early stage entrepreneurs can be either nascent entrepreneurs (column 2) or new business owner managers (column 3) or both.

Nascent Entrepreneurial Activity (column 2) is the percentage of the adult population that has committed substantial resources to starting a firm but where that firm has yet to pay wages for more than 3 months.

New Business Owner Managers (column 3) is the percentage of the adult population that has started a firm not more than 3.5 years old where the firm has already paid wages for more than 3 months.

Established Business Owner Managers (column 4) is the percentage of the adult population that owns an established business, i.e., owning and managing a running business that has paid salaries, wages, or any other payments to the owners for more than 42 months.

Overall Entrepreneurial Activity (column 5) is the percentage of the adult population that is either an early stage entrepreneur (column 1) or an established business owner (column 4) or both.

The statistics in columns 1 through 5 were sourced from random telephone sampling, with the number of completed calls per region being given in column 6.

The statistics in columns 1 through 5 are estimates of the true proportion of the population involved in entrepreneurship and hence subject to sampling error. For example, we can be 95 percent confident that between 17.53 percent and 20.07 percent of China's adult population, from 2.78 percent to 4.42 percent of Hong Kong's adult population and from 3.86 percent to 5.74 percent of Shenzhen's adult population are involved in early stage entrepreneurial activity. Similar confidence intervals apply to other statistics in this and following tables.

Column 1 is no more than the sum of columns 2 and 3 and may be less if survey respondents are both Nascent Entrepreneurs and New Business Owners. Similarly, column 5 is no more than the sum of columns 1 and 4 but may be less if respondents have established businesses and, at the same time, are starting new ones.

GDPs per capita in column 7 are adjusted for purchasing power parity by the World Bank 2009 except for Shenzhen, which is based on 2008 information.

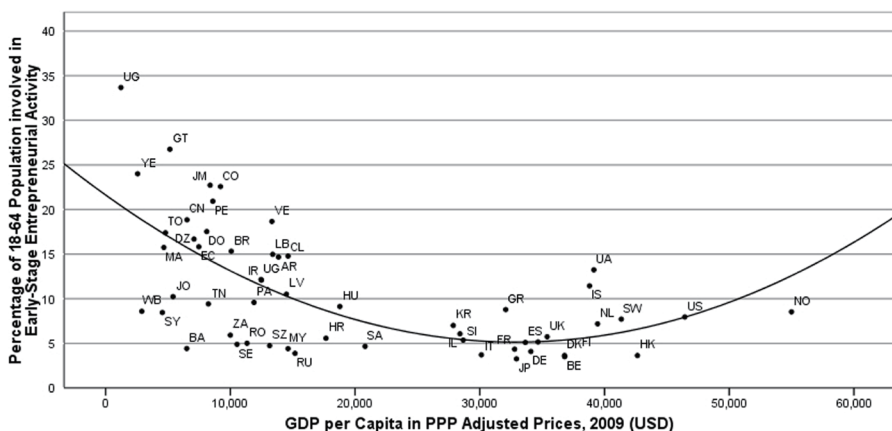
For a full statistics concerning all 54 countries/regions in the GEM report, see Appendix 2.1.



This negative relationship is unlikely to be linear: we plot a parabolic curve to the data in Figure 2. Clearly, both Hong Kong and Shenzhen are “below the curve” relative to countries at similar levels of development. And, as the plots in Appendix 2.2 show, both Shenzhen and Hong Kong’s place “below the curve” continue regardless of which GEM measure of entrepreneurship we choose.

To understand these positions, it is useful to refer to Figure 3, which we reproduce from our 2007 study of entrepreneurship in Hong Kong⁵. In that year, which marked a high point in entrepreneurial activity, Hong Kong was substantially above the curve. In the following section, we investigate how changing entrepreneur attitudes affect entrepreneurship.

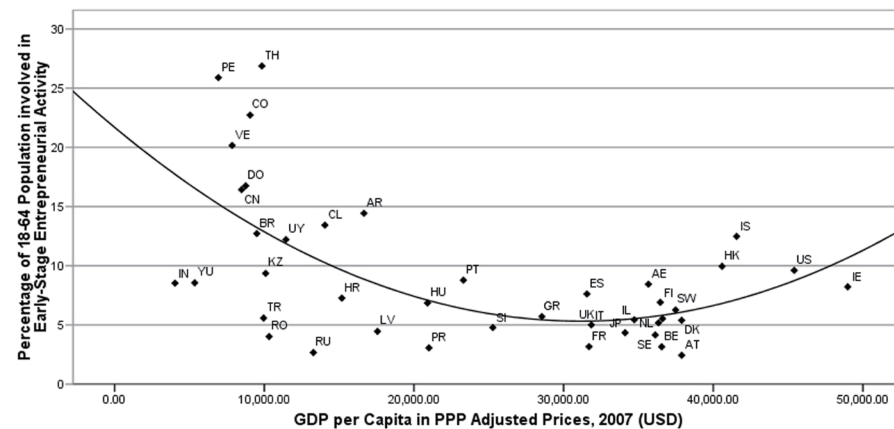
Figure 2: 2009 Entrepreneurial Activities as a Function of Gross Domestic Product Per Capita



The above figure shows early stage entrepreneurship activity (column 1 of Figure 1) as a function of GDP per capita adjusted for differences in purchasing power (column 7 of Figure 1) for all countries/regions in the 2009 GEM study. : AE=United Arab Emirates; AR=Argentina; BA=Bosnia and Herzegovina; BE=Belgium; BR=Brazil; CL=Chile; CN=China; CO=Columbia; DE=Germany; DK=Denmark; DO=Dominican Republic; DZ=Algeria; EC=Ecuador; ES=Spain; FI=Finland; FR=France; GR=Greece; GT=Guatemala; HK=Hong Kong; HR=Croatia; HU=Hungary; IL=Israel; IR=Iran; IS=Iceland; IT=Italy; JM=Jamaica; JO=Jordan; JP=Japan; KR=Korea; LB=Lebanon; LV=Latvia; MA=Morocco; MY=Malaysia; NL=Netherlands; NO=Norway; PA=Panama; PE=Peru; RO=Romania; RU=Russia; SA=Saudi Arabia; SI=Slovenia; SW=Switzerland; SY=Syria; TN=Tunisia; TO=Tonga; UG=Uganda; UA=United Arab Emirates; UK=United Kingdom; US=United States; UY=Uruguay; VE=Venezuela; YE=Yemen; YU=Serbia; ZA=South Africa
GDP per Capita of Shenzhen and West Bank & Gaza Strip were 2008 information.

⁴ Note that Shenzhen does not appear in Figure 3 as it was not included in that year’s study.

Figure 3: 2007 Entrepreneurial Activities as a Function of Gross Domestic Product Per Capita



Note: AE=United Arab Emirates; AR=Argentina; AT=Austria; BE=Belgium; BR=Brazil; CL=Chile; CN=China; CO=Columbia; DK=Denmark; DO=Dominican Republic; ES=Spain; FI=Finland; FR=France; GR=Greece; HK=Hong Kong; HR=Croatia; HU=Hungary; IE=Ireland; IL=Iceland; IN=India; IS=Israel; IT=Italy; JP=Japan; KZ=Kazakhstan; LN=Latvia; NL=Netherlands; PE=Peru; PR=Puerto Rico; PT=Portugal; RO=Romania; RU=Russia; SE=Sweden; SI=Slovenia; SW=Switzerland; TH=Thailand; TR=Turkey; UK=United Kingdom; US=United States; UY=Uruguay; VE=Venezuela; YU=Serbia

2.2 The Global Financial Crisis: Changing Attitudes

We can see the dramatic difference in Hong Kong’s and Shenzhen’s entrepreneurial prevalence rates between 2009 and pre-crisis years (shown in Figures 2 and 3) in greater detail in Figure 4. For Hong Kong, 2007 was a peak start-up year representing recovery from the low levels of 2002-2004. Rates of startups returned to those earlier levels in 2009. Clearly, the global financial crisis impacted Hong Kong and Shenzhen more than the rest of China. While Hong Kong and Shenzhen’s startup rates declined precipitously, China’s continued to grow. This is not surprising, because while China has been largely insulated from the global financial crisis, Hong Kong and Shenzhen are highly dependent on international trade and finance.

Figure 4: Entrepreneurial Prevalence Rates in 2009 Compared with the Past

a. Hong Kong's Entrepreneurial Prevalence Rates: 2009 compared to 2002-2007

Year	Nascent Activity (percentage)	New Business (percentage)	Early-Stage Owner Manager (percentage)	Established Business (percentage)	Exit (business not continued) (percentage)
2009	1.6	2.2	3.6	2.9	1.1
2007	5.7	4.3	10.0	5.6	3.5
2004	1.5	1.6	3.0	2.7	2.1
2003	1.7	1.6	3.2	3.5	1.9

b. Shenzhen's Entrepreneurial Prevalence Rates: 2009 compared to 2003-2004

Year	Nascent Activity (percentage)	New Business (percentage)	Early-Stage Owner Manager (percentage)	Established Business (percentage)	Exit (business not continued) (percentage)
2009	2.2	2.6	4.8	1.6	2.5
2004	3.9	7.8	11.5	5.1	4.9
2003	4.5	6.0	10.5	4.3	12.3

c. China's Entrepreneurial Prevalence Rates: 2009 compared to 2003-2007

Year	Nascent Activity (percentage)	New Business (percentage)	Early-Stage Owner Manager (percentage)	Established Business (percentage)	Exit (business not continued) (percentage)
2009	7.4	11.8	18.8	17.2	4.3
2007	6.9	10.0	16.4	8.4	6.1
2005	5.6	9.4	13.7	13.2	5.2
2003	4.3	7.4	11.6	16.4	8.0

Attitude. The decision to start a company is strongly influenced by the entrepreneur's attitude. He looks at examples of successful and unsuccessful entrepreneurs, considers the opportunities, weighs them against the risks, and if he is sufficiently confident, starts the business. As Figure 5 shows, dramatic changes in attitude to entrepreneurship have accompanied the falls in entrepreneurial activity in Hong Kong and Shenzhen. Those expressing confidence in having the skills and experience to start a new business have fallen from about one third of the Hong Kong adult population in 2007 to about one quarter – approximately the same proportion as in 2004. Shenzhen has seen a similar drop from higher levels: about 40 percent were confident in their skills in 2004 while only about one third were in 2009. In the rest of China, however, the general populace's confidence in its abilities to start companies has increased.

Not only has confidence in abilities to succeed dropped in Hong Kong and Shenzhen. The general populace views an entrepreneurial career as less desirable than in previous years. The desirability of the career choice of entrepreneurship has decreased substantially in both Hong Kong and Shenzhen while it has decreased only marginally in the rest of China. And the social status of the entrepreneur in Hong Kong and Shenzhen has declined substantially while it has actually increased in the rest of China.

But the greatest shifts in entrepreneurial attitudes relate to the perception of opportunity. In Hong Kong those who thought that there would be good business opportunities in the next six months dropped from 81 percent in the spring of 2007 to only 14 percent in the mid 2009. These changes are mirrored to a much lesser extent in the rest of China, falling from about 40 percent to just over 25 percent⁶.

Figure 5: Entrepreneurial Attitudes

a. Hong Kong's Adult Population Attitudes towards Entrepreneurship 2004-2009

Question: Do you agree with the statement:	Percentage of Respondents Answering "Yes"		
	2009	2007	2004
In the next six months, there will be good opportunities for starting a business	15-18	80-83	24-27
You have the knowledge and skill and experience required to start a new business	23-27	30-34	22-26
Fear of failure would prevent you from starting a business	30-34	33-37	40-45
In Hong Kong, most people would prefer that everyone had a similar standard of living	43-47	78-81	79-82
In Hong Kong, most people consider starting a new business a desirable career choice	44-48	64-68	52-57
In Hong Kong, those successful at starting a new business have a high level of status and respect	53-57	66-70	66-70
In Hong Kong, you will often see stories in the public media about successful new business	66-71	70-75	68-72

⁶ Expectation of business opportunities is correlated with other measures of confidence. In 2007, the Nielsen consumer confidence survey reported Hong Kong's index peaking at 118. It fell to 70 in the first quarter of 2009 before rising to 100 in the last quarter of 2009. Changes in China's consumer confidence were much less dramatic, shifting from 106 in the first half of 2007 to 89 in the first quarter of 2009 before rising to 104 at year end. One can expect that these partial recoveries in confidence will be reflected in partial recoveries of entrepreneurship rates.

b. Shenzhen's Adult Population Attitudes towards Entrepreneurship 2003-2009

Question: Do you agree with the statement:	Percentage of Respondents Answering "Yes"		
	2009	2004	2003
In the next six months, there will be good opportunities for starting a business	34-38	42-46	45-49
You have the knowledge and skill and experience required to start a new business	33-37	34-38	41-45
Fear of failure would prevent you from starting a business	27-31	24-28	28-32
In Shenzhen, most people would prefer that everyone had a similar standard of living	41-45	81-84	78-82
In Shenzhen, most people consider starting a new business a desirable career choice	48-52	75-79	74-78
In Shenzhen, those successful at starting a new business have a high level of status and respect	54-58	72-76	70-74
In Shenzhen, you will often see stories in the public media about successful new business	66-70	68-72	71-75

c. China's Adult Population Attitudes towards Entrepreneurship 2005-2009

Question: Do you agree with the statement:	Percentage of Respondents Answering "Yes"		
	2009	2007	2005
In the next six months, there will be good opportunities for starting a business	25-29	37-41	23-27
You have the knowledge and skill and experience required to start a new business	39-43	37-41	30-34
Fear of failure would prevent you from starting a business	31-35	27-31	21-25
In China, most people would prefer that everyone had a similar standard of living	39-43	45-49	74-78
In China, most people consider starting a new business a desirable career choice	66-70	66-70	73-77
In China, those successful at starting a new business have a high level of status and respect	77-81	68-72	64-68
In China, you will often see stories in the public media about successful new business	79-83	82-86	75-79

Note: The percentage ranges in each of the boxes show the ranges with in we are 95 percent confident that the true population's opinion lies. For a full report on these attitudes worldwide in 2009 see Appendix 2.3. The changes in attitudes reported above occurred throughout the entire adult population. Among entrepreneurs, changes are more subtle, and in fact early stage entrepreneurs see opportunity in the crisis. We asked entrepreneurs whether or not it is more difficult to start and grow a business than one year ago and whether opportunities had decreased due to the crisis. The results are reported in Figure 6.

Figure 6: Entrepreneurs' Attitudes towards Starting a Business

Statement	Stage of Entrepreneurs	Percentage of Entrepreneurs who say "Agree"		
		Hong Kong	Shenzhen	China
Starting a business is more difficult than a year ago	Early Stage	54	56	63
	Established	67	78	64
Growing a business is more difficult than a year ago	Early Stage	29	40	29
	Established	51	58	38
Opportunities are few due to the Global Crisis	Early Stage	40	51	49
	Established	45	63	53

Note: For a full report on these attitudes worldwide in 2009 see Appendix 2.4.

In Hong Kong and Shenzhen but to a lesser extent in China, established entrepreneurs are more affected by the crisis than early stage entrepreneurs. Secondly, in Hong Kong and China and to a lesser extent in Shenzhen, early stage entrepreneurs actually see opportunities coming out of the crisis. Only 29 percent of early stage entrepreneurs said that growing their business was more difficult due to the recession.

Thus we can conclude that while the percentage of adults expressing optimism about opportunities dramatically declined in the recession, the commitment of those optimists to turn their perceived opportunities into real businesses actually increased. Figure 7 shows the entrepreneurial prevalence rates among those who perceived opportunities (i.e., the first line in Figures 5a, 5b and 5c). We can see that, in Hong Kong, almost half of those expressing optimism in 2009 actually intended to start a business, up from just under one fifth in previous years. Fully 15 percent were in the first 3.5 years of starting a business and 7 percent had established businesses. These numbers were well up from previous years. In Shenzhen, however, there is a reversal. The same proportion of optimists expresses the intent to start a business while a lower proportion is actually starting a business.



Figure 7: Entrepreneurial Prevalence Rates among those who perceived opportunities

	Hong Kong			Shenzhen		
	Entrepreneurial Intention (percentage)	Early-Stage Entrepreneurial Activity (percentage)	Established Business (percentage)	Entrepreneurial Intention (percentage)	Early-Stage Entrepreneurial Activity (percentage)	Established Business (percentage)
2009	46	15	7	48	15	4
2007	19	13	5	-	-	-
2004	19	7	4	48	27	9

Note: The table shows the percentages of these respondents who said that “in the next six months, there will be good opportunities for starting a business” who had Entrepreneurial Intention, were involved in Early Stage Entrepreneurial Activity or were running an established business. Those with “Entrepreneurial Intention” said they planned to start a business in the next 3 years. Early Stage Activity” and “Established Business” owners are defined in Appendix 1.

2.3 Characteristics of Entrepreneurs

Opportunity versus Necessity Entrepreneurship. An entrepreneur can start her business either out of necessity or to take advantage of an opportunity. In the above discussion of the effect of the crisis, we implicitly assumed that the entrepreneurship of Hong Kong and Shenzhen was primarily opportunity. Our assumption is increasingly justified. In 2007, opportunity driven entrepreneurs⁷ in Hong Kong were 2.6 times more prevalent than necessity driven entrepreneurs. In 2009, the proportion had risen to 3.7, the same ratio as in Shenzhen. At the same time, in China, the number fell from 1.7 to 1.0

Figure 8: Opportunity versus Necessity Entrepreneurship

Country / Region	Early-Stage Entrepreneurial Activity in Pursuit of Opportunity (percentage)	Early-Stage Entrepreneurial Activity in Pursuit of Necessity (percentage)	Opportunity over Necessity
China	9.4	9.0	1.0
Hong Kong	2.5	0.7	3.7
Shenzhen	3.7	1.0	3.7
Innovation-Driven Economies			
Belgium	2.8	0.3	8.9
Denmark	3.2	0.3	12.1
Finland	3.9	1.0	3.9
France	3.4	0.6	5.7
Germany	2.5	1.3	2.0
Greece	6.4	2.3	2.8
Iceland	9.2	1.2	7.8
Israel	4.1	1.5	2.7
Italy	3.0	0.5	5.5
Japan	2.2	1.0	2.3
Korea	3.7	3.1	1.2
Netherlands	5.0	0.8	6.7
Norway	7.3	0.8	9.4
Slovenia	4.7	0.5	9.3
Spain	4.1	0.8	5.1
Switzerland	6.9	0.5	13.6
United Arab Emirates	11.9	1.2	10.4
United Kingdom	4.3	0.9	4.7
United States	5.5	1.9	3.0
Efficiency-Driven Economies			
Argentina	7.3	6.9	1.1
Brazil	9.4	5.9	1.6
Chile	10.9	3.8	2.9
Colombia	14.6	7.5	1.9
Croatia	3.0	2.1	1.4
Dominican Republic	11.5	6.0	1.9
Ecuador	10.7	5.1	2.1
Hungary	6.5	2.2	2.9
Iran	7.2	4.2	1.7
Jordan	6.1	2.9	2.1
Latvia	7.0	3.3	2.1
Malaysia	3.3	1.1	2.9
Panama	7.3	2.3	3.2
Peru	14.7	5.8	2.5
Romania	2.8	1.7	1.6
Russia	2.6	1.1	2.3
Serbia	2.5	2.0	1.2
South Africa	3.8	1.9	2.0
Tunisia	6.6	1.9	3.5
Uruguay	9.1	2.7	3.4

⁷ We classify an entrepreneur as being driven by opportunity through the use of two questions. First, we ask, “Are you involved in this start-up to take advantage of a business opportunity or because you have no better choices for work?” Then we ask “Which one of the following, do you feel, is the most important motive for pursuing this opportunity: to have greater independence and freedom in your working life; to increase your personal income; or just to maintain your personal income?” If the respondent says the most important motive is to take advantage of a business opportunity and the most important motive is to have greater independence and freedom or to increase personal income, we classify the person as an opportunity entrepreneur.

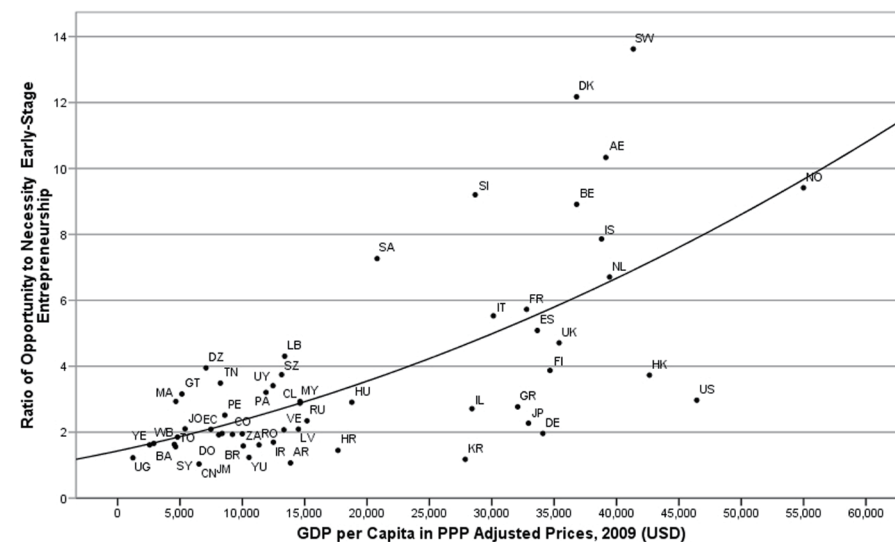


Figure 8: Opportunity versus Necessity Entrepreneurship (Con't)

Country / Region	Early-Stage Entrepreneurial Activity in Pursuit of Opportunity (percentage)	Early-Stage Entrepreneurial Activity in Pursuit of Necessity (percentage)	Opportunity over Necessity
Factor-Driven Economies			
Algeria	12.2	3.1	4.0
Bosnia and Herzegovina	2.7	1.7	1.6
Guatemala	18.6	5.9	3.2
Jamaica	14.8	7.6	2.0
Lebanon	11.5	2.7	4.3
Morocco	11.7	4.0	2.9
Saudi Arabia	4.0	0.6	7.2
Syria	5.1	3.1	1.6
Tonga	10.7	5.8	1.9
Uganda	18.4	15.1	1.2
Venezuela	12.5	6.0	2.1
West Bank & Gaza Strip	5.3	3.2	1.7
Yemen	13.4	8.3	1.6

In general, the ratio of opportunity to necessity entrepreneurship is an increasing function of GDP per capita, as shown in Figure 9. In previous years, Shenzhen was an outlier with respect to this trend. In 2004, per capita income was approximately US\$7,000 while its opportunity entrepreneurs were more than 7 times its necessity entrepreneurs. Reasons for its outlier position centered around its status as a recent immigrant city. Now its ratio stands at 3.7 – the same as Hong Kong. This is currently just above the parabolic trend line of Figure 9.

Figure 9: Ratio of Opportunity to Necessity Early-Stage Entrepreneurship as a Function of GDP per Capita



Note: AE=United Arab Emirates; AR=Argentina; BA=Bosnia and Herzegovina; BE=Belgium; BR=Brazil; CL=Chile; CN=China; CO=Columbia; DE=Germany; DK=Denmark; DO=Dominican Republic; DZ=Algeria; EC=Ecuador; ES=Spain; FI=Finland; FR=France; GR=Greece; GT=Guatemala; HK=Hong Kong; HR=Croatia; HU=Hungary; IL=Israel; IR=Iran; IS=Iceland; IT=Italy; JM=Jamaica; JO=Jordan; JP=Japan; KR=Korea; LB=Lebanon; LV=Latvia; MA=Morocco; MY=Malaysia; NL=Netherlands; NO=Norway; PA=Panama; PE=Peru; RO=Romania; RU=Russia; SA=Saudi Arabia; SI=Slovenia; SW=Switzerland; SY=Syria; TN=Tunisia; TO=Tonga; UG=Uganda; UK=United Kingdom; US=United States; UY=Uruguay; VE=Venezuela; YE=Yemen; YU=Serbia; ZA=South Africa

Gender

Within most economies, as Figure 10 shows, entrepreneurship is more likely to be practiced by men than women. China, including Hong Kong and Shenzhen is no exception. And also as in most economies, females in China, including Hong Kong and Shenzhen are more likely to be starting up companies out of necessity than males. The incidence of female opportunity entrepreneurship to necessity entrepreneurship is lower than for males.



Figure 10: Early-Stage Entrepreneurial Activity Prevalence rate by Gender

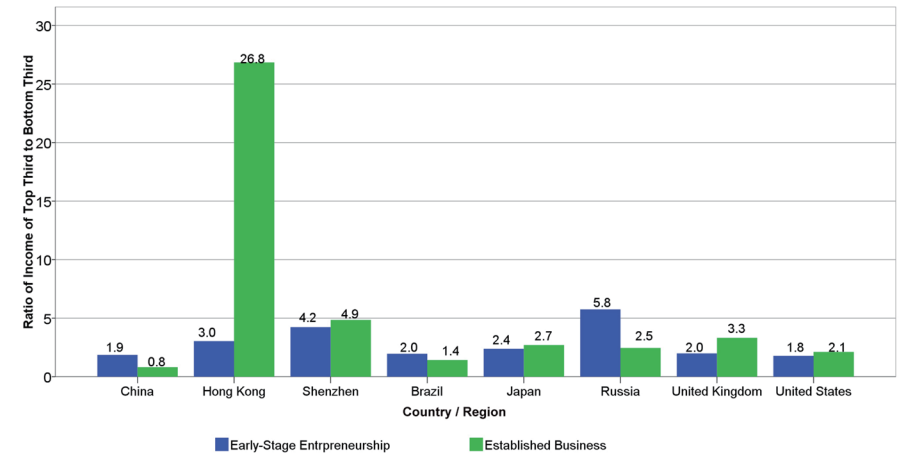
Country / Region	Male				Female				Male Female Ratio
	Opportunity (percentage)	Necessity (percentage)	Opportunity Necessity Ratio (percentage)	Total (percentage)	Opportunity (percentage)	Necessity (percentage)	Opportunity Necessity Ratio (percentage)	Total (percentage)	
China	11.6	9.1	1.3	20.7	7.0	9.0	0.8	16.0	1.3
Hong Kong	3.7	0.7	5.1	4.5	1.4	0.6	2.2	2.0	2.2
Shenzhen	5.2	1.2	4.3	6.4	2.2	0.8	2.8	3.0	2.1
Brazil	8.7	6.1	1.4	14.8	10.1	5.8	1.7	15.9	0.9
Japan	3.3	1.6	2.1	4.9	1.1	0.4	3.0	1.4	3.4
Russia	3.3	1.1	3.1	4.4	2.0	1.2	1.7	3.1	1.4
UK	6.1	1.2	5.1	7.8	2.6	0.6	4.2	3.2	2.3
US	6.7	2.6	2.6	9.3	4.3	1.1	3.9	5.4	1.7

Note:
 “Opportunity” shows the percentage of males/females engaged in early stage entrepreneurship to pursue an opportunity.
 “Necessity” shows the percentage of males/females engaged in early stage entrepreneurship out of necessity.
 The “opportunity to necessity ratio” shows the ratio of the first column divided by second.
 “Total” gives total percentages of males/females engaged in early stage entrepreneurship.
 The males/females ratio gives total early stage male entrepreneurship divided by total early stage female entrepreneurship.
 For full table see Appendix 2.5.

Income

Entrepreneurship is profitable. As Figure 11 shows, established entrepreneurs in Hong Kong are 27 times more prevalent in the top third of Hong Kong income earners than they are in the bottom third. If your income is in the top third of Shenzhen’s population, you are five times as likely to be an established entrepreneur than if your income is in the bottom third of Shenzhen’s population. Here, it is likely that successful entrepreneurship is causing a higher level of income.

Figure 11: Entrepreneurship and Income



Note: The Figure shows the early stage entrepreneurial prevalence rate observed in the richest one third the sample divided by the early stage entrepreneurial prevalence rate observed in the poorest one third of the sample. “Richest” and “poorest” are determined by self-declared monthly income.

But for early stage entrepreneurship, where the company is no more than 3.5 years old, the causation runs in the opposite direction. In Hong Kong and Shenzhen, people with higher incomes (the top third) are 3 and 4.2 times respectively more likely to start a firm than those with low incomes (bottom third). In contrast, entrepreneurship in both China and the U.S. is more equally distributed among income groups.

Age

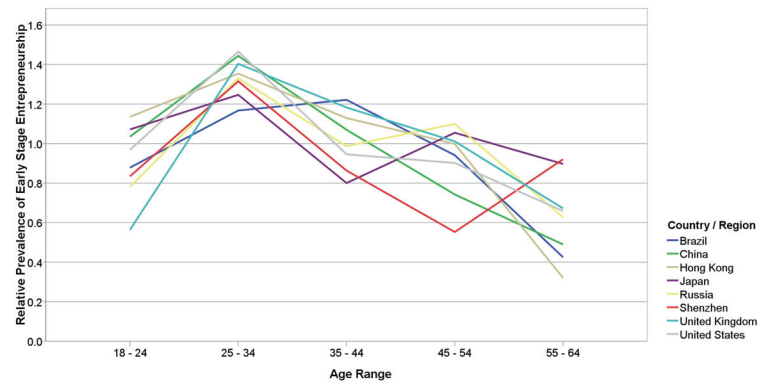
New entrepreneurs tend to be young. In the seven economies we highlight in Figure 12, the highest incidence of entrepreneurship occurs in the range of 25 to 34 years of age. China shows the highest relative prevalence of this cohort, with these young people being 1.4 times more likely to be starting a business than the average member of the population. Hong Kong has the lowest relative prevalence of elderly entrepreneurs: those aged 55 to 64 are about a third as likely as the average member of the population to be starting a business. Japan has the most even distribution of entrepreneurs across age groups.

Established entrepreneurs tend to be middle aged. The highest prevalence rates by age for Shenzhen and China are in the 35-44 age range. Hong Kong, Korea, Russia and UK showing the greatest prevalence in the 45-54 age range. The US and Japan show the highest prevalence in the oldest age group.

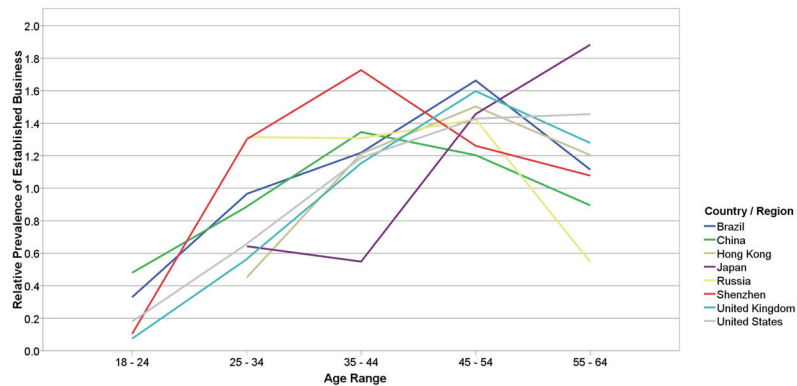


Figure 12: Entrepreneurship by Age

a. Early-Stage Entrepreneurship Age Distribution



b. Established Business Entrepreneurship Age Distribution



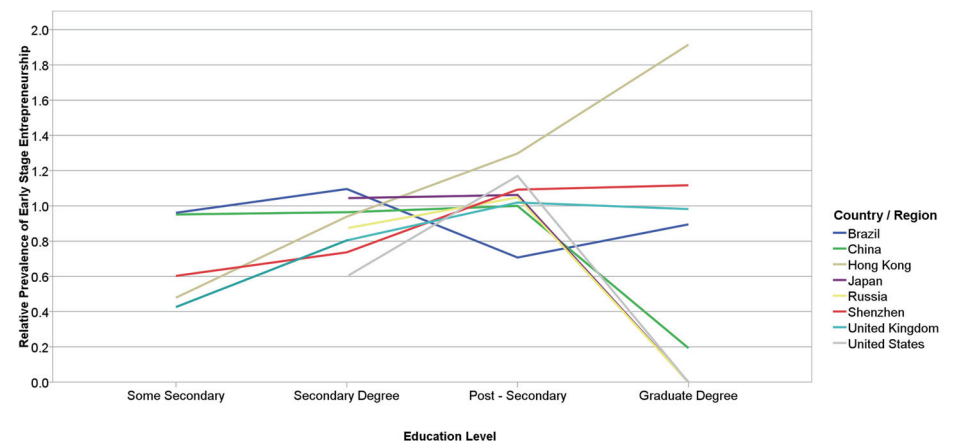
Note: The charts above divide the entrepreneurial prevalence rates in each age cohort by the entrepreneurial prevalence rates of the entire population, thereby "normalizing" the prevalence rates around 1.

Education

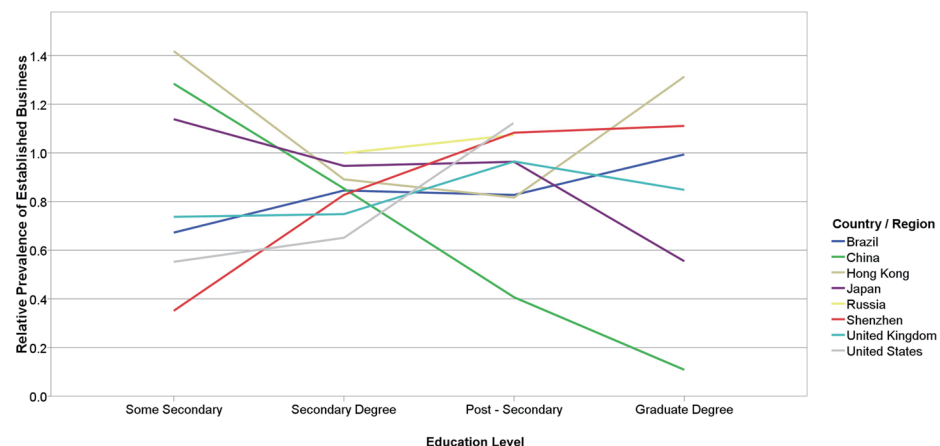
In Figure 5, we showed that throughout the whole population in Greater China there has been a decline in the degree to which entrepreneurship is seen as a good career choice. But a more important question is, among the brighter and better educated sectors of society, to what extent is starting up a company attractive? Figure 13 shows that in Hong Kong more educated people are more likely to start companies. A person with a post graduate degree or diploma is almost twice as likely to start a company as an average person, while a person without only some secondary education is about half as likely to start a company. A similar, through less pronounced, trend is seen in Shenzhen. In the rest of China, on the other hand, the greater the degree of educational attainment, the less likely the person is to start a company: a person with only some secondary education is 1.3 times as likely to start a company than the average, while a person with a post-graduate degree or diploma is only about one tenth as likely to start a company as the average member of the population. Clearly, the tradition of studying to become a civil servant or an employee of large company is still operative in most of China. In Hong Kong, our studies show that this tradition has been reversed over the last decade.

Figure 13: Entrepreneurship by Educational Attainment

a. Early-Stage Entrepreneurship Education Distribution



b. Established Business Entrepreneurship Education Distribution



Note: Figure 13a & 13b shows the relative prevalence rate of entrepreneurship in each education attainment group. The relative prevalence rate is calculated by taking the entrepreneurship prevalence rate expressed as a percentage of the population in each education attainment distribution divided by the country's total prevalence rate; "Some secondary" means some secondary schooling. "Secondary degree" means upper secondary attained. "Post-secondary degree" includes any post high school college or Bachelor degree. "Graduate Experience" includes Masters or Doctorate. Some of the values are missing because a few countries didn't collect information about whether or not the respondent went to graduate school.

2.4 Industries of Enterprises

Throughout the world, the largest percentages of new firms provide services to consumers: restaurants, stores, personal financial services, home sales, rentals and repairs, etc. (see Figure 14). In general, high turnover of consumer service businesses relative to other businesses means that there are higher proportions of consumer service business among early stage entrepreneurship than established businesses. An exception is Shenzhen, where consumer service businesses represent 69 percent of established businesses but 59 percent of new businesses. For Shenzhen, transforming industries – construction, manufacturing, transportations, communication and utilities – constitutes the second most important category after consumer services. For Hong Kong, business services are approximately as important as transforming industries among early stage companies but among established companies transforming industries are significantly more important. Business services are substantially less important in established businesses in Shenzhen, but their importance is higher among early stage businesses, reflecting an increasing number of new business services. In the rest of China, business services are the smallest segment of enterprises, well below transforming and extractive industries – which include agriculture and fishing as well as forestry and mining.

Figure 14: Industry Distribution of Entrepreneurship

a. Industry Distribution in GEM Countries 2009

Country / Region	Early-stage Entrepreneurship				Established Business			
	Extractive (percentage)	Transforming (percentage)	Business Services (percentage)	Consumer Services (percentage)	Extractive (percentage)	Transforming (percentage)	Business Services (percentage)	Consumer Services (percentage)
China	15	17	3	66	25	17	2	56
Hong Kong	0	14	15	72	0	36	9	55
Shenzhen	0	27	14	59	0	27	4	69
Brazil	2	22	5	71	5	27	6	63
Japan	3	25	15	58	3	31	20	47
Russia	4	31	5	61	6	33	9	53
United Kingdom	1	31	10	58	5	32	13	50
United States	5	24	29	42	13	26	27	35

Note: Figures show percentages of early stage and established businesses in each sector. Rows may not add up to 100 percent due to rounding errors. Extractive sectors include agriculture, forestry, fishing, and mining. Transformative sectors include construction, manufacturing, transportation, communication, utilities, and wholesale. Business services include finance, insurance, real estate and other business services. Consumer services include retail, motor vehicles sales, lodging, restaurants, personal services, health, education and social services, and recreational services. Figures of all GEM countries in 2009 are found in the Appendix 2.6.



to customers. Moderate impact firms have new technologies but limited newness to customers and at least a few competitors. And high impact startups have new technology and few competitors and/or high novelty to customers.

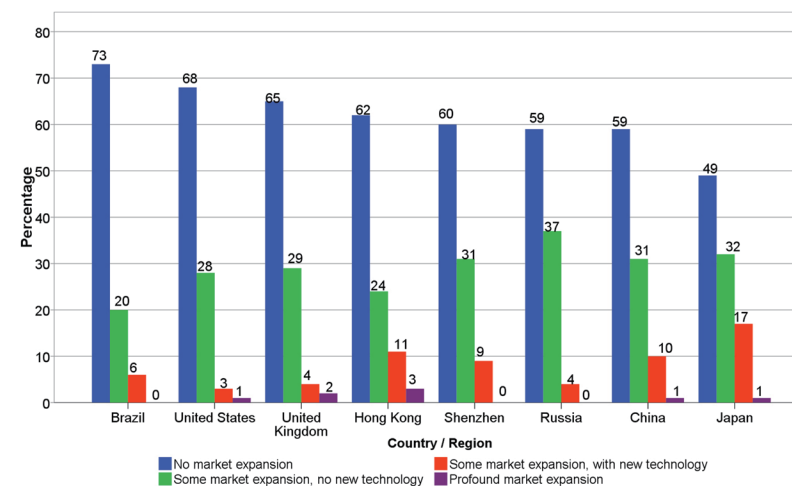
Figure 17: Classification Procedures for Market Impact of Entrepreneurship

	Latest New Technology			No Latest New Technology			
	New to all customers	New to some customers	New to none	New to all customers	New to some customers	New to none	
Many Competitors	Moderate Impact	Moderate Impact	Moderate Impact	Many Competitors	Low Impact	No Impact	No Impact
Few Competitors	High Impact	Moderate Impact	Moderate Impact	Few Competitors	Low Impact	Low Impact	No Impact
No Competitors	High Impact	High Impact	Moderate Impact	No Competitors	Low Impact	Low Impact	Low Impact

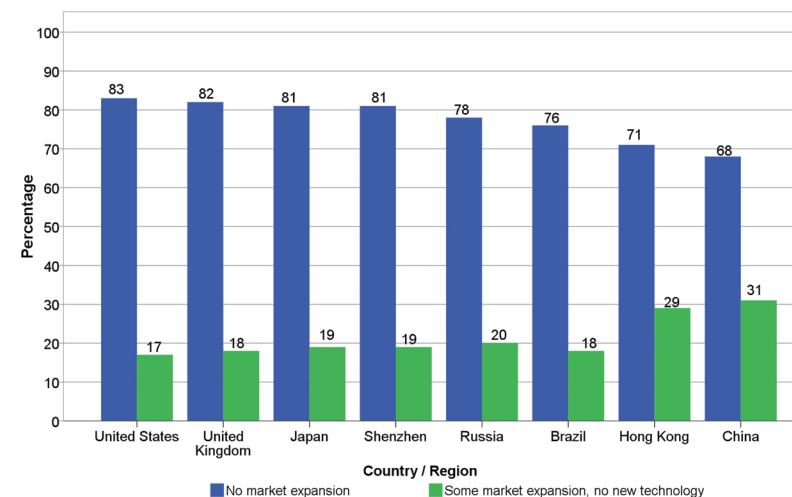
According to this four-part impact classification, as Figure 18 shows, *less than one percent* of the established businesses polled in any of the eight economies we highlight have moderate or high impact. The vast majority of early stage entrepreneurs also report that their businesses are no or low impact businesses. But in Hong Kong, a relatively high percent of respondents report moderate (11 percent) or high (3 percent) impact. In Japan, a higher percent report moderate (17 percent) or high (1 percent) impact. China and Shenzhen also report high percentages of high and moderate impact new enterprises. These figures must be treated with caution: one country's high impact product may be another country's moderate impact product because of different market structures, technological levels and competition. But we can conclude that high impact entrepreneurship is relatively common in Greater China.

Figure 18: Market Impact of Early-stage Entrepreneurs and Established Business

a. Early-stage Entrepreneurs Market Impact



b. Established Business Market Impact



Full statistics for all GEM countries in 2009 are given in the Appendix 2.7.



Keeping in mind that entrepreneurs in different regions may have different perceptions as to what constitutes new technologies, it is still instructive to consider the trend of technology use over the last few years. Figure 19 shows such a comparison. Here we see that use of latest new technologies has increased substantially in China, Hong Kong, Brazil and Japan since 2007 while it has decreased substantially in the UK, the US and Russia.

Figure 19: Technologies or Procedures included on Products or Services

Country / Region	Year	Percentage of Early-Stage Entrepreneurs		
		No New Technology	New Technologies	Latest New Technologies
China	2007	69	23	9
	2009	64	25	11
Hong Kong	2007	72	20	8
	2009	64	21	14
Shenzhen	2007	-	-	-
	2009	54	36	9
Brazil	2007	82	16	2
	2009	82	12	6
Japan	2007	59	32	9
	2009	55	27	18
Russia	2007	77	14	9
	2009	82	14	4
United Kingdom	2007	72	21	7
	2009	74	19	6
United States	2007	63	24	13
	2009	77	19	4

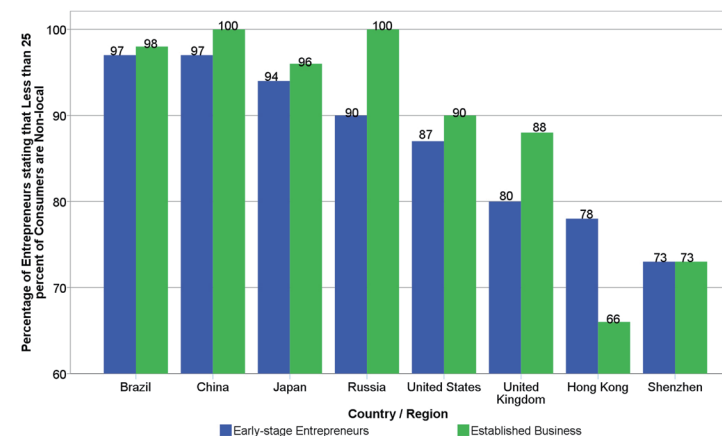
Note: Table shows the percent of early stage entrepreneurs reporting that their products or services have no new technologies, some technologies or the latest technologies. Percentages may not add up to 100 percent because of rounding.

An internationally competitive enterprise will generally have more impact than an enterprise operating in a domestic market. This is true even in a large economy such as the US, Russia, China or Japan but is especially true for a very small economy such as Hong Kong and for an economy structured to serve international markets such as Shenzhen. Figure 20 shows the responses of entrepreneurs of new and established enterprises to the question, “what proportion of your customers normally live outside your country”. Not surprisingly, Shenzhen and Hong Kong are the economies most internationally exposed with 11 percent and 5 percent of new entrepreneurs and 9 percent and 13 percent of established entrepreneurs respectively replying that greater than 75 percent of customers live outside of their regions. In terms of the target market for entrepreneurs, Japan and China are the most insular economies; within our sample no firms

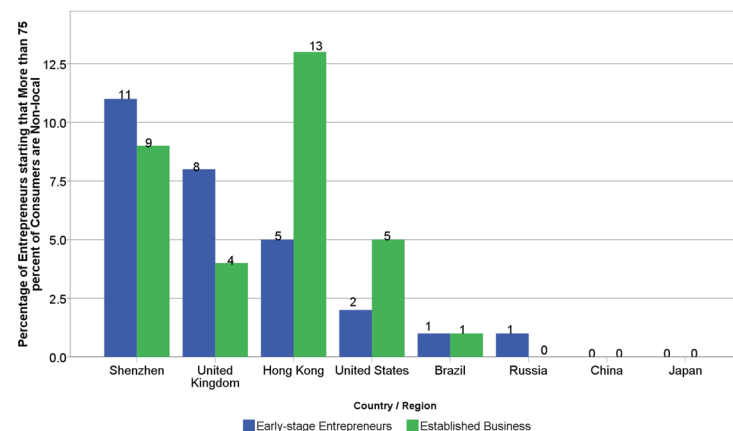
reported that more than 75 percent of customers normally live outside of the countries.

Figure 20: Non-Local Consumers

a. Percentage of Entrepreneurs Stating That Less than Twenty-five Percent of Consumers are Non-local



b. Percentage of Entrepreneurs Starting That More Than Seventy-five Percent of Consumers are Non-local



Note: Full statistics for all GEM countries in 2009 are given in the Appendix 2.8.

2.6 Exit

We asked all respondents whether they had exited a business in the previous 12 months. Although we asked the question during the period May through August 2009, meaning that the period covered by the question extended from mid year 2008 through mid year 2009 – the deepest trough of the economic crisis – there were surprisingly low rates of exit. In fact, in China, Hong Kong Japan, the US and Brazil the incidence of reported discontinuance of business actually decreased compared to 2007 as Figure 21 illustrates. This may be evidence that entrepreneurs faced with a severe downturn tend to “wait and see” rather than “cut and run.”

Figure 21: Exit Rates

Country / Region	Discontinuance of Business (percentage)		Exit Continuance of Business (percentage)		Total Exit (percentage)		Percentage of Exit with Continuance of Business (percentage)	
	2009	2007	2009	2007	2009	2007	2009	2007
China	4.3	6.1	2.3	4.2	6.6	10.3	35.3	40.7
Hong Kong	1.1	3.5	0.4	0.9	1.5	4.4	25.5	20.9
Shenzhen	2.5	4.9 (2004)	1.5	-	4.0	-	38.0	-
Brazil	2.4	4.5	1.6	2.0	4.0	6.4	40.6	30.5
Japan	1.0	2.0	0.4	0.0	1.4	2.0	28.0	0.0
Russia	1.8	1.0	0.4	0.1	2.2	1.1	19.4	9.2
United Kingdom	1.6	1.2	0.5	0.8	2.1	2.0	22.7	37.7
United States	2.3	3.0	1.1	1.8	3.4	4.8	31.6	37.3

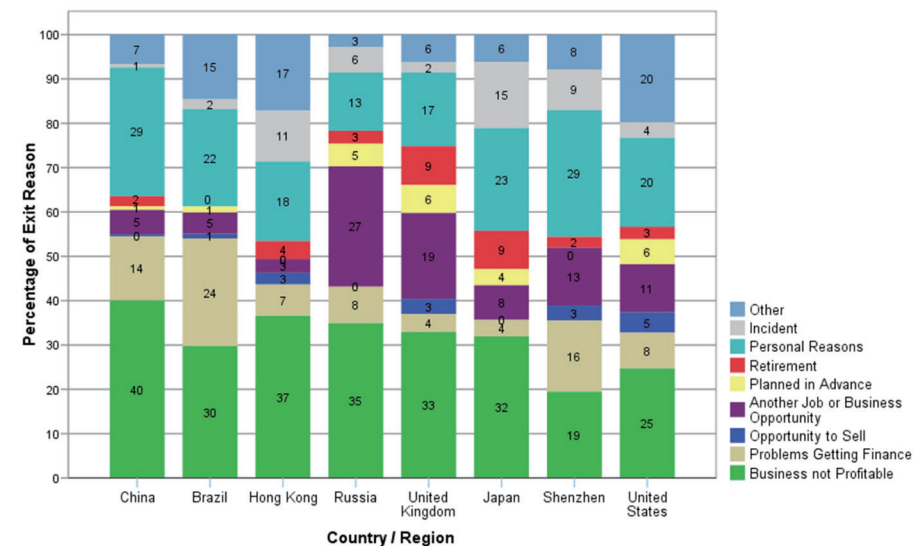
Note: Table records the percent of the population aged 18 to 64 who answered that they discontinued, sold or quit a business in the past 12 months.

Shenzhen shows 2004 statistics since it did not join the study in 2007.

Full statistics for all GEM countries in 2009 and 2007 are given in the Appendix 2.9.

We asked those who exited a business over the last 12 months why they did so. Figure 22 summarizes their reasons. Grouping together the financial reasons for exiting the business (“business not profitable” and “problems getting finance”), China leads the pack for citing financial reasons for exit with a full 54 percent. Hong Kongers also cite financial reasons as key with 44 percent. After financial reasons, the most commonly cited reason for exit was “personal reasons.”

Figure 22: Expressed Reasons behind Discontinuing Businesses, by Selected Countries



2.7 Investors

The GEM study also sampled the population concerning their investment in start-up enterprises. Interviewees were asked whether they provided finance to a start-up within the last three years. As Figure 23 shows, informal investment has dropped in all countries in the table. The magnitude of the drop, however, is greatest in Hong Kong where informal investors dropped from 7.9 percent of the population to 2.6 percent.

Figure 23: Prevalence Rates of Informal Investors

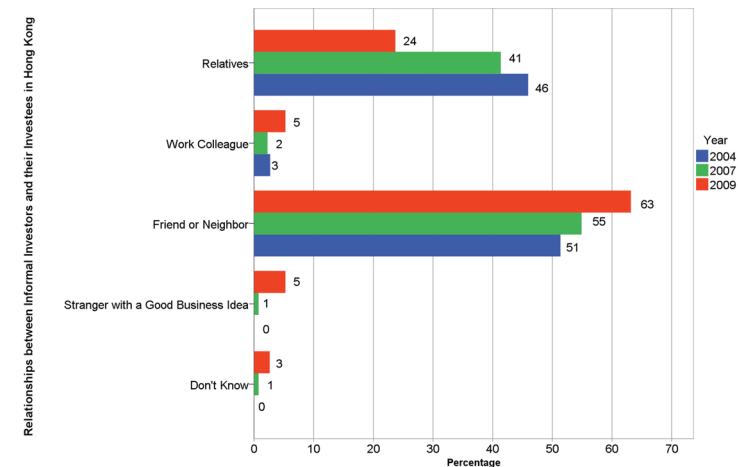
Country / Region	Informal Investor Prevalence Rate (percentage)	
	2009	2007
China	6.6	9.6
Hong Kong	2.6	7.9
Shenzhen	3.8	–
Japan	1.7	1.8
Korea	3.2	–
Malaysia	2.1	–
Russia	1.5	1.6
United Kingdom	1.1	1.4
United States	4.1	4.9

Note: Full statistics for all GEM countries in 2009 and 2007 are given in the Appendix 2.10.

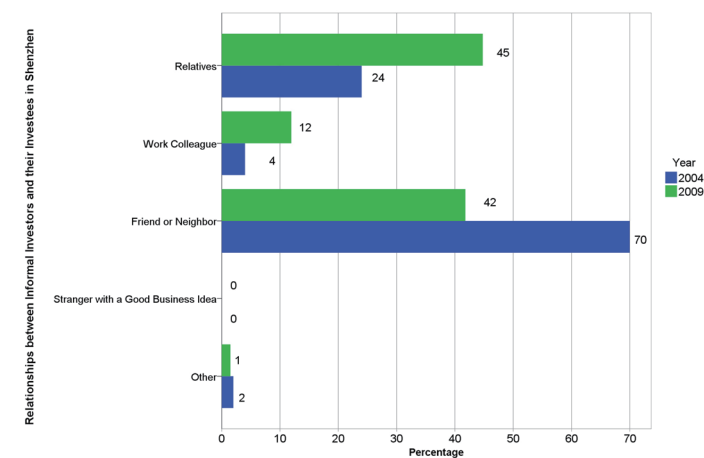
Whose startups are these informal investors funding? Figure 24 provides some insight. In Hong Kong, 63 percent of informal investors fund startups of friends or neighbors, while only 24 percent fund the startups of relatives. The proportion of relatives' startups within informal investors' portfolios has been in steady decline since 2004 when 50 percent of informal investors in Hong Kong responded that they provided funds to relatives' startups. Interestingly, Shenzhen has experienced precisely the opposite trend over the last five years. In 2004, 24 percent of informal investors were relatives of investees whereas now 45 percent are relatives. This increased reliance on family members for financing in Shenzhen has occurred at the same time as there has been a large reduction in the number of start-ups. The boom years of Shenzhen entrepreneurship when 70 percent of informal investors funded startups of friends or neighbors has given way to a more traditional pattern of informal investment.

Figure 24: Relationships between Informal Investors and their Investees

a. Hong Kong



b. Shenzhen



3.0 ENTREPRENEURIAL FRAMEWORK CONDITIONS IN HONG KONG

In this section we discuss the factors that contribute to or detract from entrepreneurship in Hong Kong. Our data for this discussion is largely taken from interviews of 36 Hong Kong experts in the field of entrepreneurship, half of whom are entrepreneurs. We administered the standard GEM National Experts Survey Questionnaire to them, which asked them the extent to which they agreed or disagreed with 96 statements in 17 general categories⁹ about the entrepreneurial environment in Hong Kong. Details of the statistically significant responses to this questionnaire are found in Appendix 3.1.

We also asked the experts to describe the three most important factors impeding and the three most important factors promoting entrepreneurship in Hong Kong (i.e., Hong Kong’s entrepreneurial strengths and weaknesses) and to give three recommendations to improve entrepreneurship in Hong Kong. To help interviewees frame their answers to these open questions, we suggested that they consider various entrepreneurship framework conditions in the answers. Although we suggested respondents select Hong Kong’s entrepreneurial strengths and weaknesses from any of 12 conditions¹⁰, in fact, only eight entrepreneurial framework conditions dominated. These were in order of the number of experts citing each framework condition as a strength or a weakness were:

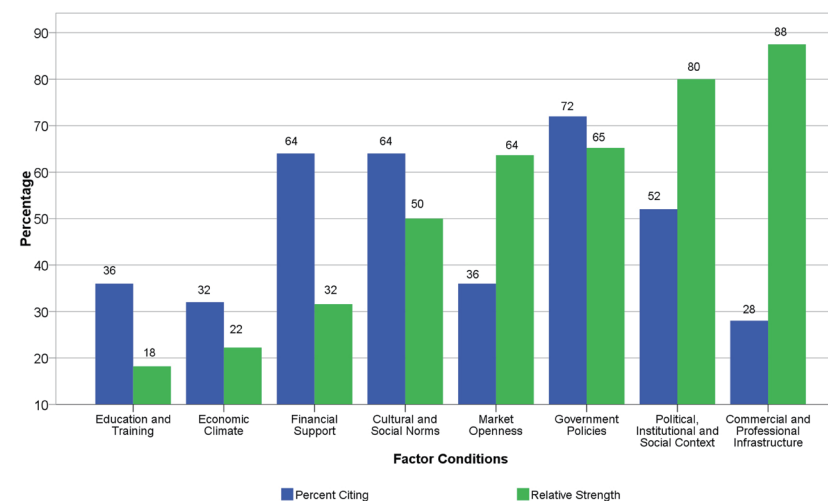
- Government Policies
- Financial Support
- Cultural and Social Norms
- Political, Institutional and Social Context
- Education and Training
- Market Openness
- Economic Climate
- Commercial and Professional Infrastructure

We present a view of the relative strength of these eight conditions in Figure 25.

⁹ The 17 categories were Finance, Government Policies, Governmental Programs, Education & Training, R&D Transfer, Commercial & Services Infrastructure, Market Openness, Physical Infrastructure, Cultural and Social Norms, Opportunities to Start up, Abilities and Knowledge to Start up, Entrepreneur Social Image, Intellectual Property Rights, Women’s Support to Start up, Attention to High Growth, Interest in Innovation and Social Entrepreneurship.

¹⁰ The 12 entrepreneurial framework conditions were headings the first nine categories described from the headings in footnote 9 above plus economic climate, work force features, and political institutional and social context.

Figure 25: Relative Strength of Hong Kong Entrepreneurial Framework Conditions



Note: Relative strength measure is the percentage of experts that cited the factor as a strength divided by the percentage of experts that cited the factor as either a strength or a weakness. We do not show factors that were cited as a leading strength or weakness by less than one quarter of experts.

In the following section we will discuss under four headings the entrepreneurial framework conditions the experts considered most important and actionable¹¹:

- Government Policy and Programs¹²
- Education and Training
- Cultural and Social Norms
- Financial Support

¹¹ Although it is clearly important, we do not discuss the economic climate, because it is not within the control of individuals within Hong Kongers to change. We omit discussion of the less cited entrepreneurial framework conditions of Hong Kong because they are not subject to rapid change and we have covered them in previous reports.

¹² In the global report and previous Hong Kong reports, we separate government overall policies from specific programs to implement entrepreneurship policy. In the table below, and in our discussion we combine the two, because policies are frequently realized through specific programs.



As Figure 26 shows, these four factors account for 91 percent of total recommendations, 70 percent of total cited weaknesses and 53 percent of strengths¹³. Because these four are the conditions of greatest concern to Hong Kongers with expertise in entrepreneurship, and because they are conditions that can be acted upon by the government, we discuss them below in more detail.

Figure 26: Percentage of Weaknesses, Strengths and Recommendations by Entrepreneurial Framework Conditions in Hong Kong

Framework Condition	Weaknesses	Strengths	Recommendations
Government Policies and Programs	21.5	25.7	46.2
Education and Training	12.9	2.7	24.7
Cultural and Social Norms	17.2	16.2	14.0
Financial Support	18.3	8.1	6.5
Political, Institutional and Social Context	4.3	21.6	4.3
R&D Transfer	3.2	1.4	3.2
Market Openness	7.5	9.5	1.1
Commercial and Professional Infrastructure	1.1	10.8	-
Access to Physical Infrastructure	1.1	-	-
Economic Climate	11.8	2.7	-
Workforce Features	1.1	1.4	-
Total	100.0	100.0	100.0

Note: the above table reports the percentages of weaknesses, strength and recommendations which were cited. Each expert was asked to cite three weaknesses, three strengths and three recommendations.

3.1 Government Policies and Programs in Hong Kong

Government policies and programs are the most controversial part of the environment affecting new firms. Over one quarter of experts cited government policies and programs among Hong Kong’s strengths, over a fifth cited them as among Hong Kong’s weaknesses and almost half of them made at least one recommendation to change some aspect of policies and programs. In short, there is a substantial split between satisfaction and dissatisfaction with the government’s stance on entrepreneurship.

¹³ The most frequently cited strength of Hong Kong is its political institutional and social context, being cited in 21 percent of the instances. If (as in some of our previous studies) this framework condition is not separated out but is subsumed into either government policies or cultural and social norms, the number of strengths covered by these four rises to 74 percent. The first three of these factors are also of most concern to those elsewhere in the world. See Appendix 3.3.

Part of the dissatisfaction is simply with the government decision making process which is seen as slow and opaque. One expert commented

There is a lack of position taking, a lack of sense of need for rapid decision making. What does that mean? There does not seem to be the attention being paid to maintaining Hong Kong’s competitiveness as a business environment but there is the attention to sovereignty issues – macro political issues – but not to the economic issues. That airport sat there for a decade. Prime real estate. Prime opportunity. Nothing. That should be changed.... The consultation process should be improved. With new legislation and implementing legislation... government consults with the public on various issues but the process is seriously flawed because when the government calls in people, it has already made up its mind.

This was expressed by another expert as “the government hardware is there but the software is lacking”.

Yet, if government is slow and opaque in setting policy, it is also efficient to the extent that new firms can get most of the required permits and licenses they need quickly; the amount of taxes is NOT a burden; taxes and other government regulations are applied in a predictable and consistent way and coping with government bureaucracy, regulations, and licensing requirements it is NOT unduly difficult for new and growing firms as is evident from Figure 27.

Figure 27: Responses to Questionnaire on Government Policy

Statement	Hong Kong		Shenzhen	
	Agree or Disagree	Average Score	Agree or Disagree	Average Score
Government policies (e.g., public procurement) consistently favor new firms.	Disagree	-1.12	NS	-0.20
The support for new and growing firms is a high priority for policy at the Regional government level.	Disagree	-0.56	NS	0.16
The support for new and growing firms is a high priority for policy at the local government level.	Disagree	-0.57	NS	0.12
New firms can get most of the required permits and licenses in about a week.	Agree	0.53	NS	-0.03
The amount of taxes is NOT a burden for new and growing firms.	Agree	1.61	NS	0.32
Taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	Agree	1.39	Agree	0.71
Coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms.	Agree	0.94	Agree	0.86

Note: The average response can range between -2 (all experts strongly disagree) and +2 (all experts strongly agree). NS = average not significantly different from 0 at the 95 percent confidence level (neither disagree nor agree).



When government policies were cited by experts as strengths, the experts repeatedly praised Hong Kong's small government model, few restrictions on economic activities, general economic freedom, rule of law, openness, and government professionalism.

For a new business in the service industries these factors facilitate exceptionally fast set-up. But if the new enterprise needs a purpose-built facility, Hong Kong government is difficult to deal with. One expert commented

...the moment that they [entrepreneurs] have to build something, and really enter the bureaucracy of dealing with the Planning Department, Drainage Department, Sewage Department, they will be awakened to a bureaucracy that is anything but business friendly.

Government policies are generally seen as tilted slightly against new and growing enterprises. One expert cited a policy weakness constraining entrepreneurship was the government's focus on land prices and policy. Public procurement policies tend to favor established firms and the support for new and growing firms is a low priority for government. One expert said,

Government officers want to support new and growing firms, but people in government always have to look over their shoulders. They need to be seen to be equally fair to all, so that at the end of the day, they do nothing.

Some experts also cited the lack of competition law as evidence of government's stance against small and medium sized companies¹⁴ but one opined that introducing a competition law would not really help:

Industries such as supermarkets, transportation, power and energy have substantial monopoly barriers to entry. Passing anti-trust laws will not help, because the large tycoons can afford the best lawyers and will win in court, no matter what the legislation. The government should be able to exert pressure to stop unfair trading practices now. For example, the consumer council documented supermarkets advertising sales that involved no price discount. This kind of practice could be stopped by the government administratively, and would show that the government is committed to equalize opportunity.

Industrial Policy. No matter what country an entrepreneur is in, he or she should consider how government industrial policy will likely affect the venture, in terms of the opportunities it opens and risks it raises. The larger the role of the government in society, the greater is there need to trim a business plan to government policy. Prior to the handover in 1997, Hong Kong's industrial policy was limited to the Industrial Estates, small and medium sized enterprise initiatives of the Trade and Industry Department, promotional and informational activities of the Hong Kong Trade Development Council and direct intervention in industries considered to be part of the public domain including health, social services, housing, land creation, transportation and education. Although analysts and government reports referred to four pillar industries (financial services, tourism, trading and logistics and profession services which today account for about 60 percent of GDP) the government did not "pick winners" in any active industrial policy.

Since the handover, a more active government industrial policy has evolved. In 2000, the creation of the Innovation and Technology Commission and the Applied Science and Technology Research Institute (ASTRI) showed that the government was favoring high technology entrepreneurship. In 2001, the opening Hong Kong Science and Technology Parks Corporation (HKSTP) where ASTRI was located and subsequently the consolidating of the Industrial Estates and the InnoCenter under HKSTP became the physical focus of that policy. In 2004, the government unveiled a policy of encouraging applied research clusters in automotive parts and accessory systems, logistics and supply chain management enabling technologies, textiles and clothing, nanotechnology and advanced materials, communications technologies, consumer electronics, integrated circuit design and opto-electronics hosted by combinations of universities and ASTRI. In addition, a cluster on Chinese medicine, through its subsidiary Hong Kong Jockey Club Institute of Chinese Medicine was formed. Incubation programs for technology companies at HKSTP, design companies at the InnoCentre and digital lifestyle companies at Cyberport rounded out Hong Kong's evolving clusters policy.

More recently the government has identified six industries (accounting for six to eight percent of GDP) as critical to the development of Hong Kong – education services, medical services, testing and certification services, environmental industries, innovation and technology and cultural and creative industries. Active policies on applied research clusters, the incubators, the four pillar industries and the six critical development industries, combined with the pre-existent government involvement in the economy, are the current components of Hong Kong's evolving industrial policy¹⁵.

Experts split between those who support this industrial policy and those who are diametrically (and often emotionally) opposed.

¹⁴ As this report is going to print, it is clear that Hong Kong is likely to have a full competition law by the end of 2010.

¹⁵ For the government statement on the emerging industrial policy, see Breaking New Ground Together Address by the Chief Executive the Honorable Donald Tsang at the Legislative Council meeting on 14 October 2009. For a discussion of the evolution of Hong Kong policy towards high growth startups see Au et al (2006)

The supporters often wish for more clarification of and additions to the policy. One commented:

The Government needs to be clearer in its distinction between laissez faire and policy. The biggest problem is that the Government is not sufficiently clear as to its direction. Hong Kong is perceived to be successful because it is laissez faire. But it is not as laissez faire as it is perceived. If you don't have a level playing field, laissez faire does not work, particularly where there is public-private overlap. They encroach. The government should follow through in specific policies to facilitate those core industries it slates for development.

There should be clusters. This links into government's commitment to an industry... [but] it's not obvious what the core industries are and what the government is doing to promote them. The government is not very pro-active in deciding what Hong Kong should be like. Say compared with Singapore where they are active in saying these are our pillar industries and these are the things we will do to strengthen them.... Hong Kong needs to have more clear direction of industries and what they are going to do to build world class industries. It's easy to identify fast growing industry groups. But that is not industrial policy. The important thing is to say "here are specific measures that we will use to sponsor an industry."

Another supporter noted

... the Government should enhance a system of central coordination, to establish and monitor the business-government-academic network. Despite the success of laissez-faire policy throughout the years, the Government should learn to coordinate market and industries when necessary...

While a third simply said, "government should be more pro-active".

Yet there were many voices on the side of those who oppose an active industrial policy. One financier commented

Government's entrepreneurship policy should not differentiate between a fish ball stand and information technology (IT). In a free economy you should nurture all start-ups. When the successful startups win, you will know what sector you should specialize in because they will be profitable. This government believes that they can pick one or two sectors and they are putting money in them. That is wrong. Hong Kong may not be ideal for technology or IT startups. We should get rid of the ITC. We should replace it with a commission for entrepreneurship.

One technology entrepreneur added his voice against the current industrial policy:

I am one of those who don't want the government to help. They always do the wrong thing. For example ASTRI. If the government spends money, people think it is good for Hong Kong and good for society but actually I think it is the opposite. [The government] has a problem in terms of direction. We are not sure what they are doing. But they have a lot of money and they hire good people and some of those people come from my company. When I talk with my ex-employees working in ASTRI, they say, well its good pay but actually I am not doing too much. If they had stayed in my company they would have been producing a new products that they could sell to the world. So that is an example of when they try to help but it does not actually happen. Given the mentality of the civil servants, we cannot expect anything better: Hong Kong civil servants are administrators. If you take the example of Taiwan or Korea, the government together with the industry people tries to build up a new industry. The people working in the government are researchers or experienced industry people, but it's a contradiction. In Hong Kong we are used to laissez faire. We have built up a lot of administrators who are very neutral. They just allow free markets. ...The government does not have the leadership of the capable manpower. If you try to force it in the current structure, then they are bound to do the wrong thing.

Echoing the same theme another expert said Government does not understand technology while a fourth said government policies should be tailored to the low tech profile of Hong Kong industry. A fifth was bitter:

Government subsidies are very policy driven. Some areas have more than sufficient subsidies. Traditional industries do not have subsidies. Good old mom and pop stores built up the Hong Kong economy. Hong Kong is not only full of sexy stories. It's full of small and medium sized companies (SMEs). For those sexy stories, for those who are good at writing the stories, for those who are good at gaming the system, they can get funding. ... Those hard working SMEs, do not have government funding. In the Chief Executive's speech there are six industries we need to focus on. In my view, most should be dropped.

A sixth opponent bluntly said *Government should revert back to positive non-interventionism.*



Industrial Policy and the Mainland. One role where experts agreed that the government plays a constructive role that could be expanded concerns our relationship with China. One entrepreneur commented

...the government should enhance the China market opportunity for Hong Kong, ... supporting industries to open up in Guangdong province. The whole of China is too much but Guangdong is already 10 times Hong Kong so that is enough for Hong Kong. This could be in intelligence, support, brand building, and shorten the communications between Hong Kong and Guangdong. That will build our infrastructure and enable our branding.

The government’s articulated industrial policy can help official coordination with mainland counterparts at the national, Guangdong provincial and Shenzhen municipal governments levels, because they follow an industrial policy model. With the move towards a more active industrial policy, our government officials can set broad-brush industrial goals in specific industries that dovetail with officials in the rest of the country. Adopting this mode may reduce the risk of sidelining of Hong Kong. It can give input at an official level to national industrial policies, which inevitably impact our city.

However, it is important to remember that the worldwide success rate of government industrial policy makers picking winners is not high¹⁶. And the weight of expert opinion in Hong Kong is against the pursuit of an aggressive industrial policy. So we conclude that Hong Kong should maintain its overall philosophy of positive non-interventionism, that is, to maintain a small-government and intervene only when it is necessary. This politically expedient policy in Hong Kong may even serve as model to our counterparts in China in inter-governmental cooperation.

Government Programs. Although specific government programs to promote entrepreneurship were seldom cited as either strengths (1 percent) or weaknesses (7 percent), 17 percent of expert recommendations asked the government to implement specific programs.

One recommendation concerned implementing a one-stop-shop where an entrepreneur could
... get practical business advice on everything that you need for permits with industry expertise. [There should be] ... a way those entrepreneurs can play in this process to streamline it. We need an entrepreneurial view, someone who can bring a business perspective to the one-stop-shop.

We believe that this suggestion could be usefully and cheaply implemented because currently there is confusion as to whether or not a one-stop shop actually exists. We believe that no one-stop-shop exists. But we were struck by the fact that experts are evenly split between those that think that an entrepreneurship one-stop-shops exists in Hong Kong and those who think it doesn’t (see Figure 28). This confusion may arise because the Industries Support Division of Trade and Industry Department, the Hong Kong Productivity Council, the Hong Kong Trade Development Council and Vocational Training Council all run programs that provide information and services to business start-ups. These programs *might* be characterized as one-stop-shops. But as Figure 28 indicates, experts believe that if you need help from a government program for a new or growing business, you can’t easily find what you need. This shows that none of these potential candidates for the “one-stop-shop” title are fully meeting the need.

One expert had the following comments about a one-stop-shop.
The Government should build a [new business] support system. This could be a collective effort between the government and the business sector. The government has established a lot of think tanks or research centers but we have no idea what they do. The government should allocate a fund to create a center or network to give new advice to new business and leverage skill set of the business sector to create a new role I think we need to invest a significant amount. If we believe that entrepreneurship can be a competitive edge, we should invest at least \$100 million. The network should give some practical advice ... start with some mentorship to leverage professional people.

Figure 28: Responses to Questionnaire on Government Programs

Statement	Hong Kong		Shenzhen	
A wide range of government assistance for new and growing firms can be obtained through contact with a single agency.	NS	-0.32	Disagree	-0.79
Science parks and business incubators provide effective support for new and growing firms.	Agree	0.38	Agree	1.06
There are an adequate number of government programs for new and growing businesses.	NS	-0.19	NS	-0.03
The people working for government agencies are competent and effective in supporting new and growing firms.	NS	-0.15	NS	0.19
Almost anyone who needs help from a government program for a new or growing business can find what they need.	Disagree	-0.39	NS	-0.29
Government programs aimed at supporting new and growing firms are effective.	NS	-0.24	NS	0.50

Note: The average response can range between -2 (all experts strongly disagree) and +2 (all experts strongly agree). NS = average not significantly different from 0 at the 95 percent confidence level (neither disagree nor agree)

¹⁶ See Lerner (2009) who sets out the conditions for and limitations of successful efforts to boost entrepreneurship and venture capital.



Figure 28 also shows that experts agree that the numbers of science parks and business incubators – HKSTP, Cyberport and the Hong Kong Design Center – are adequate.

Given the controversy over government industrial policy noted above, it is noteworthy that there is significant support for the science parks and business incubators currently in place.

As we discussed above, however, expert opinion differs greatly concerning government industrial policy. Hence, if any additional program is being considered, the government must individually weigh its costs and benefits. More experts are in favor of positive non-interventionism than an aggressive industrial policy. Hence, in the Hong Kong political context, the government must exercise great caution before rolling out any new program.

With that caveat in mind we list five new programs that were suggested by experts:

- 1) Offer tax incentives
 - a) to large corporations for their investments in technology ventures
 - b) to those corporations that purchases Hong Kong made products
 - c) to SMEs.
- 2) Support the film industry
- 3) Offer rent subsidies to new businesses
- 4) Establish neighborhood cooperatives for new small businesses
- 5) Provide physical space to foster the useful arts

Concerning 1) tax incentives, four different experts suggested three different kinds of tax incentives (with two suggesting SME tax incentives). We are inclined to reject all of these suggestions for two reasons. Firstly, as shown in Figure 27, a significant majority of experts consider that the amount of taxes is NOT a burden for new and growing firms¹⁷. Secondly, a significant majority of experts consider that taxes and other government regulations are applied to new and growing firms in a predictable and consistent way. The imposition of tax incentives would increase tax complexity, unpredictability and inconsistency, given the difficulties of defining start-ups, SMEs, technology transfer, Hong Kong made products, etc. We conclude it is better just to keep taxes simple and low.

¹⁷ The current Hong Kong corporate tax rate is 16.5 percent. The tax structure is flat and filing is extremely simple by international standards.

Concerning 2) the suggestion that the film industry be supported involves clarification of support for one of the new critical industries of Hong Kong -- cultural and creative industries. The move of the government to give specific support to a critical industry should be made only after fully transparent public discussion where the pros and cons could be fully aired. Several experts called for increased clarity of industrial policy, and public debate of the relative merits of specific programs may help that clarity.

Suggestions 3), 4), and 5) all address a natural constraint of Hong Kong – the extremely low availability and high cost of enclosed space. We oppose offering cash subsidies to new businesses to offset rent: such a program would be difficult to administer and open to abuse. A greater problem may exist with potential entrepreneurs in Hong Kong than with those already starting up. In Hong Kong we lack physical space in which one can tinker with materials, parts, components, and tools to develop products: we have no garages¹⁸. A remedy would be

... public work spaces like we have public libraries. These would be public libraries but with tools.... like labs in the university if they were public. Innovations needs the local market, the investors and the university.

The feasibility of implementing this recommendation could be easily be investigated¹⁹.

One expert recommended that the government help entrepreneurs understand how to do business in China through provision of information or platforms, another that government should use public media to publicize information on high technology industry. In addition, a number of initiatives were suggested concerning financial support, which we discuss below.

¹⁸ Inventors need space to tinker about. Hewlett-Packard was founded in Packard's garage by Stanford graduates William Hewlett and David Packard and garages and sheds may provide invaluable space. Incubators only provide space to the select few.

¹⁹ The Australian Men's Shed Association is one successful model of such public space. It is a set of social enterprises to aid in the wellbeing of unemployed (especially elderly) men by give them tinkering and socializing space. See <http://www.mensshed.org/>. Similar but thematically differentiated workshops, could be provided for younger men and women in Hong Kong. The M-Lab/PlayLab located at Inno Centre and BootHK (www.boot.hk) are places for this purpose.

3.2 Education and Training in Hong Kong

Compared with opinion on government policy, the expert opinion on education and training, as reflected in responses to the questionnaire, is largely uniform and consistent with the stated intent of the Department of Education in pursuing changes to Hong Kong's education system.

It is striking that Hong Kong's education and training, cited by 36 percent of experts as either a strength or a weakness ranked last in its relative strength of all of the entrepreneurial framework conditions, with a strength factor of only 19 percent (see Figure 25 above). As responses to the questionnaire show, our current education system does NOT:

- teach enough about how the economy works
- provide adequate attention to entrepreneurship and new firm creation
- encourage creativity, self-sufficiency, and personal initiative

These problems flow from the system's overemphasis on rote learning to hone students' exam writing skills. Students are spoon-fed with right answers. They are not encouraged to think for themselves and take positions. But this emphasis is driven more by pressure from families who wish their children to obtain good placement in university entrance examinations, than any government education policy.

The recent curriculum reforms, introduction of liberal studies, and restructuring to a 3-3-4 year system are supposed to address these issues and stimulate student creativity²⁰. Yet given the exam orientation pressure, one can doubt whether the reforms alone can achieve substantial progress.

²⁰ The New Academic Structure for Senior Secondary Education and Higher Education – "334" Web Bulletin. Hong Kong: Education Bureau. (<http://www.edb.gov.hk/334>) Education and Manpower Bureau December 2005.

Figure 29: Responses to Questionnaire on Education and Training

Statement	Hong Kong		Shenzhen	
	Agree or Disagree	Average Score	Agree or Disagree	Average Score
Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.	Disagree	-0.72	NS	0.40
Teaching in primary and secondary education provides adequate instruction in market economic principles.	Disagree	-0.40	NS	-0.39
Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	Disagree	-1.17	Disagree	-0.96
Colleges and universities provide good and adequate preparation for starting up and growing new firms.	NS	-0.24	NS	0.14
The level of business and management education provide good and adequate preparation for starting up and growing new firms.	Agree	0.31	NS	0.16
The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.	Agree	0.35	Agree	0.45

Note: The average response can range between -2 (all experts strongly disagree) and +2 (all experts strongly agree). NS = average not significantly different from 0 at the 95 percent confidence level (neither disagree nor agree).

Figure 26 shows that recommendations to improve education occupied one fourth of all recommendations. The philosophy and the objectives of these recommendations were consistent.

People who are good at entrepreneurship are people who can spot opportunities, for example those who set up Google or Facebook. Education should prepare those kinds of entrepreneurs. This is not just a need for general education. One needs to educate people to be able to spot opportunities. People should be able to analyze ideas. Hong Kong is gradually moving towards a more open education system. The new four year curriculum will encourage a more flexible system. In primary and secondary education, there are more independent schools.... The Independent Schools Foundation... is moving towards more open education. The number of independent schools is growing. DBS, St Pauls and other leading schools are showing the way and other schools should follow....

Another expert said:

... We should modify the education system to encourage more creativity. This should be modified from the primary school onwards. I do not think that examinations are a problem.... If you use a memorizing system, then that is a problem. People just memorize and get high marks, instead of open book tests, where people can think. I don't mind having more exams. Nowadays we have computers, so people do not need to memorize. We need the human mind to create to structure.

A third expressed the same objective slightly differently.

Train young people to be entrepreneurial. If you believe in the spirit of entrepreneurship, you have to start training people as young as possible. In school there should be a culture of "believe in a dream or a vision, You can do it!" There should be a build up of these values. Actually things are now changing.

Another said:

There has got to be some effort taken in the lower schools – primary and secondary – to focus on less rote memorization, less the track education and more on the creed of learning, problem solving, risk taking and the benefits that go with those things. This is a huge issue, how to change the culture and the mentality.

While a fifth said that there should be a de-emphasis on job getting, replacing it with risk taking.

Several recommended that programs be set up to teach the basics of analysis of value creation as early as possible in the primary schools, for example, with role playing. Others said that internships should be part of the high school experience.

At the school level... there should be more opportunities for students to pilot their ideas ... Internship allows students to experience whether they like a type of business environment. You should give the students the opportunity to work on a specific project for a term or a year and really help them think through building through a sustainable business.

Yet there was no recommendation as to how release the overall social pressure that generates Hong Kong's exam-orientation culture at the heart of stifling creativity in schools. Addressing that social pressure is the real challenge for Hong Kong if we are to foster a new generation of entrepreneurs.

Continuing Education and the Role of Government. Government plays a dominant role in education for two good reasons. First, an equitable society should offer to all of its citizens the right to education and secondly, regardless of equity concerns, society, not just the individual, benefits when an individual's level of education rises, meaning that education is a public good. So, as we mentioned above, education traditionally is a key part of industrial policy, although we seldom view it that way.

But government education policy, like all industrial policy, skews the market against entrepreneurs providing competing education services. One expert noted:

[The Government] says "let the market determine the future." But in semi regulated industries like education you can't do that....What appears to be the laissez faire model breaks down because of government policies, not designed to prevent entrepreneurship but simply impeding it.... Sometimes policies need to be proactive in facilitating opportunities....

They have said that education is a core industry, but [to be credible] they have to go beyond just saying it. ... In education, first of all the significant participation of the industry is moving into non-traditional activities. Universities are moving into continuing education, moving outside the traditional university day teaching. This makes it very difficult to compete against The Chinese University of Hong Kong [School of Continuing Education] or Hong Kong University [School of Professional and Continuing Education]. ... This goes back to my level playing field. It is easy for the traditional universities to introduce new programs and to attract new students into the programs. [But a private company] has to go through a painful registration and accreditation process. Time to market is so slow – about a year from decision to inception – it is a long and drawn out process.

The other area is international students. There is no doubt that Hong Kong in theory could become an international study hub. Singapore says it wants to attract 150,000 international students by 2012.... But for it to work in Hong Kong requires an immigration policy that is favorable and facilitation from an accommodation perspective. But principally it's an immigration issue. ... In Singapore a student gets a visa in less than a week. In Singapore, post-studying opportunities are there as well. I am not saying the Hong Kong policy is wrong. But don't say it if you don't mean it. The international education market is very competitive. Don't just say we want to be an education hub and then leave policies in place.

.... In education, the more the government becomes involved, the worse it gets. Take the Continuing Education Fund. It is becoming less and less useful because the users have to pay for the bureaucracy. The government should just let the market decide. The government should do less. The less bureaucracy, the better.

This critique is particularly important given Hong Kong's ambitions to build itself into a regional education hub on one hand and the well known tendency of government agencies and educational institutions towards bureaucracy.

3.3 Cultural and Social Norms in Hong Kong

In discussing education above, we referred to the same cultural conflicts that restrict entrepreneurship – particularly the highly competitive education system. If we look at the responses to the questionnaire, however, Hong Kong’s culture emerges as a factor promoting entrepreneurship. Figure 30 details these aspects: our culture is highly supportive of individual success achieved through own personal effort, emphasizes self-sufficiency, autonomy and personal initiative, and emphasizes personal responsibility. Entrepreneurship is regarded as an appropriate way to become rich; entrepreneurs have high status and respect; their stories are frequently in the media and most people think of them as competent resourceful individuals.

Figure 30: Responses to Questionnaire on Cultural and Social Norms

Statement	Hong Kong		Shenzhen	
The culture is highly supportive of individual success achieved through own personal efforts.	Agree	1.39	Agree	1.49
The culture emphasizes self-sufficiency, autonomy, and personal initiative.	Agree	0.86	Agree	1.29
The culture encourages entrepreneurial risk-taking.	NS	0.39	Agree	1.09
The culture encourages creativity and innovativeness.	NS	0.39	Agree	1.57
The culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.	Agree	0.86	Agree	0.85
The creation of new ventures is considered an appropriate way to become rich.	Agree	1.14	Agree	1.62
Most people consider becoming an entrepreneur as a desirable career choice.	NS	0.25	Agree	1.14
Successful entrepreneurs have a high level of status and respect.	Agree	1.28	Agree	1.57
You will often see stories in the public media about successful entrepreneurs.	Agree	1.25	Agree	1.40
Most people think of entrepreneurs as competent, resourceful individuals.	Agree	1.47	Agree	1.29

Note: The average response can range between -2 (all experts strongly disagree) and +2 (all experts strongly agree).
NS = average not significantly different from 0 at the 95 percent confidence level (neither disagree nor agree)

In the open ended questions, cultural and social norms were cited by 64 percent of experts with equal numbers of experts citing them as strengths and weaknesses. Sixteen percent of all weakness and 17 percent of strengths cited and 14 percent of recommendations concerned social and cultural norms.

Among the factors stimulating entrepreneurship cited were Hong Kong’s wealth and conspicuous consumption culture, the love of change, the fast pace, the international culture, the flexibility and comfort with cross disciplinary and cross-cultural concepts, the open-mindedness, the immigrant-with-nothing-to-lose attitudes, and the status and familiarity of well know entrepreneurs. As one expert commented, *the local heroes are all entrepreneurs*. Criticism of negative aspects of Hong Kong culture centered on short-termism of Hong Kongers, and valuing of the professional and conservative over creativity and risk-taking. A financier commented

Hong Kong society is pyramid shaped. The top is entrepreneurial, but most people on the street are not. They want to live a comfortable life and they do not want to take risks.

One entrepreneur said

We treasure professionals. It is in how we bring up our kids. We always tell our kids it is good to be Li Ka Shing but very few parents give them the chance to venture out and try something new. They train them as professionals. Go to law school or medical school. Traditionally Chinese tend to be more focused on stability than adventure....

Another commented,

To start up, one needs to think through, to share, and to learn from others. The culture of sharing failing experience is not the culture of Asia. In the west they can share the ups and downs of business experience, but not in Hong Kong.

The recommendations flowed from the criticisms of Hong Kong culture. We should enhance the internationalism of Hong Kong. We should enhance the creative environment. We, starting with our leaders, should be more pro-active and less passive. Impactful enterprises must go beyond Hong Kong, so Hong Kong’s understanding of China and the rest of the world must be enhanced. Moreover, to succeed regionally, we should be more cooperative.

Entrepreneurs should have a more collaborative or partnership kind of mindset. If they just try to make it by themselves and start by themselves, the chances of success is limited. It’s a question of exposure. Right now, Hong Kong is only focused on Hong Kong. Once they have a regional perspective, they will see that they need partners.



But experts were troubled by an erosion of the self-reliance entrepreneurial culture among the youth. Commented one entrepreneur

Don't depend on the government. That will waste your time. You have to go straight into the market. You are the only person to help yourself. Do not waste time in asking people to help you. Your time is most important.

Another expressed the recommendation as "when you start a company, you should rely on nobody but yourself. Do not look to the government to help you out".

A third echoed that recommendation:

It all comes down to risk taking and not relying on anyone but yourself. We run the risk of creating a welfare state or a mentality of look for someone who can help you. ... It is basically seeking your own opportunities, seeing you own advantages and seeking your own success. All these guys want to be entrepreneurs but they do not want to take the risk.

3.4 Financial Support in Hong Kong

Financial support in Hong Kong is very much on the minds of those who think about entrepreneurship. Our interviewees who raised it were more than twice as likely to be critical than to be complementary of the financial support available for startups. But only seven percent of all recommendations concerned financial support. This reflects, on one hand, the critical nature of finance to an enterprise and on the other a lack of confidence in the efficacy of tinkering with Hong Kong existing strong financial system.

Figure 31: Responses to Questionnaire on Finance

Statement	Hong Kong		Shenzhen	
There is sufficient equity funding available for new and growing firms.	NS	-0.06	NS	-0.18
There is sufficient debt funding available for new and growing firms.	NS	-0.14	NS	-0.29
There are sufficient government subsidies available for new and growing firms.	Disagree	-0.56	NS	0.18
There is sufficient funding available from private individuals (other than founders) for new and growing firms.	NS	-0.06	NS	-0.03
There is sufficient venture capitalist funding available for new and growing firms.	NS	-0.15	NS	0.21
There is sufficient funding available through initial public offerings (IPOs) for new and growing firms.	Agree	0.66	NS	-0.04

Note: The average response can range between -2 (all experts strongly disagree) and +2 (all experts strongly agree). NS = average not significantly different from 0 at the 95 percent confidence level (neither disagree nor agree)

In the words of one entrepreneur, Hong Kong remains

... a city with strong financial backing. The government has massive reserves. It can afford to be effective in its administration. Although it is small, it has a strong banking and financial infrastructure with a stable currency. Everyone in Hong Kong has a rich uncle from whom funds can be borrowed. And most people have parents with homes who can help support a new business.

Informal, start-up equity capital is available. Although Figure 23 above catalogued the plummeting informal investment from 7.9 percent of the adult population before the financial crisis to 2.6 percent after, there has been no erosion of real estate prices (unlike the case in the Asian Financial Crisis a decade ago). Private wealth is available to invest, at least in smaller, rapid payback traditional industries, when sentiment turns positive. Beyond the resources of private individuals, expert opinions suggest the existence of an equity funding gap between informal investment of family friends and acquaintances and formal capital markets.

Formal equity venture capital and private equity is also available in Hong Kong, but it is limited to companies with a potential global impact and is generally reserved for later stage financing. One entrepreneur said

There is venture capital funding available – if you were setting up shopping malls in China you get financing but if you wish to be intellectual property based? No.

A financier commented

... if you have a good business plan and you have personal contact with private equity firms, you may be able to get some, but most of private equity is not for startups or early stage.

Hong Kong is generally recognized to be a world leader in late stage financing. The only area where Hong Kong's entrepreneurship financial system received significant positive recognition in our survey, as Figure 31 shows, is funding available through initial public offerings (IPOs) for new and growing firms.

Experts were critical of banks for failing to provide debt capital to new and growing firms. One financier said

For the entrepreneur, there is little source of finance. Most people would go to banks or finance companies but they will only lend to those with a proven track record. Banks are in the business of taking moderate risks and getting moderate returns.

Speaking of his own experience, a high technology entrepreneur noted that

... banking is not supporting knowledge base or growth. Although banks everywhere are conservative in lending, it's worse in Hong Kong than elsewhere because the banks make a lot of money in property and other products. For start-ups, the local bankers do not have the expertise to judge. Without the expertise, they see only high risk and the returns are not proportional to what they invest so they have much less incentive.

To some extent, the absence of bank finance for new and growing companies is a worldwide dilemma. This fact tempered the criticism of interviewees. An NGO leader noted

Funding from banks is probably the biggest obstacle because there isn't any. But this is not different from the rest of the world. This does not separate Hong Kong from the rest of the world.

But others thought that Hong Kong banks are less willing to lend to new and growing companies than their colleagues elsewhere the world. One entrepreneur familiar with environments around the world offered the following comments.

Getting credit from the bank is difficult, even trade credit and simple loans. If you are a small company it's worse. In Hong Kong most of the banks need to have collateral. That is true in other parts of the world. If you own a small company, they need a personal guarantee or a property to be pledged. In some other countries, banks provide trade credit more easily, but Hong Kong banks are more strict. In Hong Kong, most banks earn a lot from mortgages. Their default rates are very low compared with many other places. That is because they are more conservative. In other countries, they move into SME and other business more easily because mortgage lending is not so risk free and profitable.

On balance, Figure 31 shows that our interviewees consider that government funding programs for new and growing firms are insufficient. Given this majority view, and but bearing in mind our earlier comments about the need for careful review of new policies, especially those dispensing funding, we reflect and put forward a couple of suggestions concerning implementing or improving government funding schemes of entrepreneurship:

- Encourage construction of networks and support systems for early-stage finance
- Relax rules on funding within existing programs

The simultaneous existence of a funding gap and the availability of capital in Hong Kong suggests that financing could be stimulated through better information flow. As one banker commented

Banks do not invest in new companies, but they have the ability to analyze and they know who could invest. Banks should open dialogues with each other and other financial companies and investors and help set up an angel network. They could even charge for referral services for financing new companies, even if they did not themselves invest.

One expert saw the government as playing a role in setting up such networks²¹.

Echoing the call above for a one-stop-shop, she commented

If the center or network is a consolidated effort it does not matter whether they go to the business or the accounting or legal community. You can leverage different peoples skills sets. The network should include some funding. You should not have to go through a lot of forms and a long process.

²¹ The Hong Kong Science and Technology Parks Corporation, with the Hong Kong Venture Capital and Private Equity Association and leading Hong Kong universities are promoting the Hong Kong Business Angel Network (HKBAN) to help bridge this informational and funding gap starting 2009. Au and White (2010) studied venture financing in Hong Kong and made similar and other suggestions.



A third expert suggested

The government should take a long term view by setting up a match fund to support early stage venture capital program run by wealthy Hong Kong business groups. This could help address the financing gap for companies that have started but lack the financing to grow to a reasonable size.

Prior to setting up such a program, however, it is important to consider the political impact. There is considerable difference between providing information and advice and providing financing. Government

efforts over the last decade to play the role of venture capitalist have not been markedly successful²². The government is better at providing an appropriate environment for private markets to flourish. Match funding programs will work if expectations are appropriately long term, if they are professionally run and if they are not “gamed” by private sector partners.

Given Hong Kong’s cautious political environment, it is probably more expedient for the government to improve those funding programs in which it has already achieved a measure of success – and which it is not going to abandon – than to start new initiatives. We support the views of one expert with first-hand knowledge about the current government funding allocation systems who said

The current funding system has a lot of restriction and the total amount is very little. The ITF is only \$5 billion and they have already spent half of it. That is a lot of money for universities but not a lot for private companies. There should be more funding to private companies. For example the SERAP program, there are a lot of restrictions and not enough funds. Even in Shenzhen, they do not regulate the use of funding as tightly.

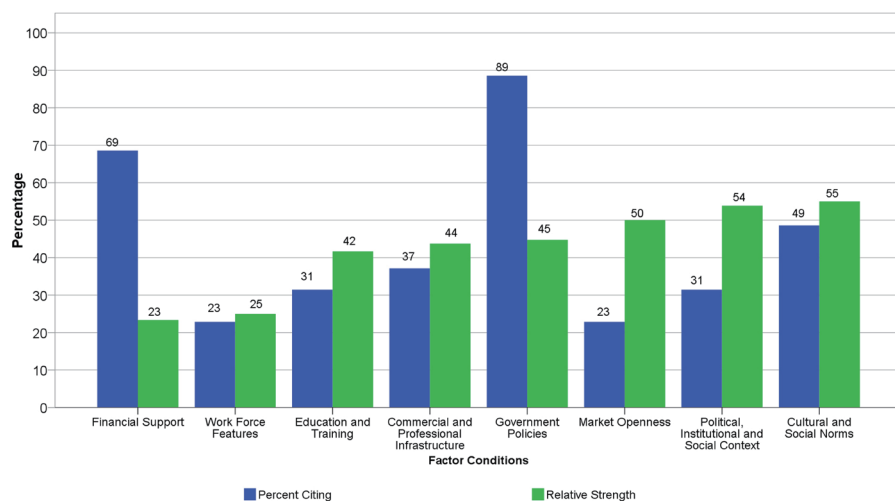


²² See Au et al (2006)

4.0 ENTREPRENEURIAL FRAMEWORK CONDITIONS IN SHENZHEN

When citing strengths and weaknesses of entrepreneurial framework conditions, the experts interviewed in Shenzhen shared the Hong Kong colleagues' focus on government policies, but were more concerned with financial support and political, institutional and social context and less concerned with cultural and social norms. They saw capacity for entrepreneurship as a key defining factor in Shenzhen's environment.

Figure 32: Relative Strength of Shenzhen Entrepreneurial Framework Conditions



Note: Relative strength measure is the percentage of experts that cited the factor as a strength divided by the percentage of experts that cited the factor as either a strength or a weakness. We do not show factors that were cited as a leading strength or weakness by less than one fifth of experts.

Figure 33: Percentage of Weaknesses, Strengths and Recommendations by Entrepreneurial Framework Conditions in Shenzhen

Framework Condition	Weaknesses (percentage)	Strengths (percentage)	Recommendations (percentage)
Financial Support	25.5	9.0	13.0
Government Policies and Programs	27.4	29.4	36.9
Education and Training	6.9	6.4	12.0
R&D Transfer	1.0	1.3	4.3
Commercial and Professional Infrastructure	9.8	9.0	6.5
Market Openness	3.9	6.4	1.1
Access to Physical Infrastructure	1.0	5.1	4.3
Cultural and Social Norms	8.8	14.1	6.5
Economic Climate	1.0	5.1	1.1
Workforce Features	5.9	2.6	5.4
Political, Institutional and Social Context	7.8	11.5	8.7
Total	100	100	100

4.1 Financial Support in Shenzhen

Among Mainland Chinese cities, Shenzhen is considered by experts interviewed to have ample public investment capital. It has a well-established financial system and there is sufficient informal, private capital. In comparison with other parts of Mainland China, it has ample insurance capital and equity capital available for entrepreneurs. This combination has created China's leading venture investment environment. However, private venture capital channels are not without obstructions, so even though private capital is abundantly available, it is inefficiently utilized, undermining venture investment in the city.

Equity capital. Although, as a well developed, relatively rich city, Shenzhen has sufficient public savings and investment capital, entrepreneurial and venture capital funding is still in a formative stage. Financing of entrepreneurship tends to be ad-hoc and small with limited sources of capital. Unlike governments in other regions, the Shenzhen government contributes little venture capital, and most government venture capital goes to small and medium sized technology businesses. This means that only a tiny number of new and developing businesses receive support from government entrepreneurial and venture capital funds. And as private capital contributions to venture capital are also limited, Shenzhen does not have sufficient entrepreneurial and venture capital.



Entrepreneurs in Shenzhen tend to finance their startups from their own savings, and their new enterprises rely on retained earnings to grow. Entrepreneurs do not proactively look for resources from the government or from venture capital firms. Hence, Shenzhen's new ventures grow steadily but not rapidly. They may miss market opportunities and fall into difficulties because of a lack of capital, notwithstanding having sound business models. SMEs in Shenzhen also face problems such as poor capital flow and restrictions on capital import/export under China's foreign exchange control policies. The recent launch of the ChiNext Board of the Shenzhen Stock Exchange establishes a local exit mechanism for venture capital. However, as it is still in its embryonic years, its importance to venture investment has yet to be fully determined²³.

Shenzhen encounters problems in attracting venture capital from abroad. Within domestic venture capital, there is a dominance of state-owned funds, and private venture capital funds are insufficient. Silicon Valley in the United States is cited by our interviewees as a successful example of entrepreneurship in which venture capital has played a key role. Venture capital should be utilized to finance new businesses with high potential growth, but excessive restrictions in Shenzhen drive the funds which could flow into venture capital and other private equity into the public securities markets.

Debt capital. Despite the large number of financial institutions in Shenzhen, SMEs have difficulties in borrowing from them. Credit terms that banks impose on SMEs are tougher than those for larger corporations. SMEs also bear relatively higher per unit transaction costs and monitoring fees for their small-sized loans. Regulations allow banks to set higher interest rates for loans to SMEs, but these higher rates mean that SMEs suffer from higher financing costs. These higher costs, while attracting banks, may actually increase the risk of those banks that provide the loan. To avoid the risk, banks are extremely cautious in approving loans to SEMs, requiring ample collateral. For new businesses, it is even more difficult than for established SMEs to obtain loans because they lack the collateral. And loans to privately owned, as opposed to state-owned, enterprises are attracting more onerous loan terms.

In short, debt capital invested by banks and equity capital from stock markets are more readily channeled into the state-owned sector of the economy.

In Shenzhen, there is a lack of capital markets for SMEs to carry out direct financing. Private financing activities are small in size and often illegal²⁴. Nevertheless, private financing is the key to the entrepreneurial activities in Shenzhen, being an important source of capital despite the small sizes of individual transactions.

Presently, there are only limited channels for private venture investment, while the preferential policies for private investment are different from those for investment for state-owned enterprises. Entrepreneurial activities are therefore adversely affected with savings not efficiently utilized, hindering the overall development of society.

4.2 Government Policies and Programs in Shenzhen

With a well-established market economy mechanism, an open tax system and adequate legislation and regulations, Shenzhen presents to Chinese entrepreneurs a market with low entry barriers and one in which the necessary business startup procedures can be completed relatively easily and quickly, as Figure 27 above indicates. Relative to other regions of mainland China, it encourages new and developing businesses to proactively take part in a market characterized by fair competition. The Government of Shenzhen provides proactive supportive policies to facilitate the growth of new and growing businesses. This is where Shenzhen's entrepreneurial advantage lies and if Shenzhen intends to maintain this advantage, improvements to government policies should continue to be made.

Risks inherent in government policy changes include:

- Insufficient transparency of policies
- Restrictions to enterprise development
- Lack of clarity in the criteria for provision of resources to SMEs

Policy transparency helps reduce and even end corruption, improving public trust in the government. The sustainability of Shenzhen's economic development rests on the transparency of government policies. To improve the investment and financial environment in Shenzhen, the Government of Shenzhen has not only launched a series of supportive financial policies, but also tilts resource allocation and public services in favor of innovation-oriented SMEs. It also provides support to assist innovation-oriented SMEs to acquire entrepreneurial capital, while technological research and development funding is provided on a matching basis with venture capital. In addition to tax incentive policies, innovation-oriented enterprises also are given priorities for land and factory resources. The transparent policy environment of Shenzhen benefits

²³ The Shenzhen Stock Exchange was launched in 1990. It is made up of the Main Board, the SME Board (set up in 2004) and the ChiNext Board (set up in 2009). As of June 2010, SZSE was home to 1,012 listed companies, with 485 on the main board, 437 on the SME Board and 90 on the ChiNext Board. The ChiNext Board is a Nasdaq-style growth enterprises board.

²⁴ Private financing activities (i.e., 民间融资) include the activity of organized privately owned finance companies that are not registered with the China Banking Regulatory Commission authorities and therefore not legal.



both individuals' entrepreneurial activities as well as the development of SMEs. As far as the policy transparency is concerned, Shenzhen is in a leading position within Mainland China.

Shenzhen enjoys advantages of optimized resources allocation and transparent information, with the government providing an information-rich entrepreneurial market. Information, as a kind of economic resource, serves a more and more important function in promoting economic development. Due to its scarcity, optimization is necessary. The Government of Shenzhen has been striving to develop a comprehensive working mechanism and standardized system for the disclosure of government information. On top of establishing relevant supporting measures, it also devotes resources to strengthening training for administrative department staff. Furthermore, it makes good use of the government website as a platform for government information disclosure while giving a boost to the coordination of such work.

Despite a relatively open and free market economy and a transparent policy environment in Shenzhen, however, experts expressed, in our interviews with them, their earnest concerns over the governance of industrial development. In their opinion, the government's overly complex industry supervision policies are increasing the difficulties in starting up businesses. The government should relax restrictions on a macro basis. The government should also work with industrial associations, allowing them to formulate more detailed and practical regulations to maintain the healthy development of their member enterprises.

Taxation is not perceived by our experts on average as being burdensome in Shenzhen, yet, as one interviewee commented, China implements complicated tax policies on value-added tax invoices. Government taxation policies have great impact on the development of businesses, new ones in particular. Moreover, the tax rate in Shenzhen is increasing on a year-by-year increase from 15 percent in 2008 to 25 percent in 2012. In other words, the national tax rate of 25 percent will soon be applied in Shenzhen.

Immigration policies support some aspects of entrepreneurship. Since 2007, Shenzhen has focused effort attracting talents to 30 key industries in eight key sectors, with the eligibility criteria including individuals' career history and achievements. Innovation talents from 38 tertiary institutions can apply for household registration in Shenzhen on a personal basis. In short, the government is inclined to provide supportive policies and procedures to attract talents that fulfill the eligibility criteria. This shows that Shenzhen is proactive in tackling its structural problems in human resources by launching active and effective measures to attract talents so as to create favorable conditions for entrepreneurial development in the city. But one expert we interviewed took exception to the immigration policy's effect on entrepreneurship:

Shenzhen maintains strict control over how immigrants can obtain household registration.²⁵ You can be granted a household registration certificate if the amount of capital that your business possesses reaches certain level. The control on contract-based household registration is kept strict whether you have graduated from a high school or vocational school, or whether you possess a bachelor or post-graduate degree. The government should relax the conditions for obtaining household registration for those starting new businesses.

Different entrepreneurs from different backgrounds expect different things from the government. Those coming from the Mainland look forward to more policy support and guidance from the government, whereas foreign entrepreneurs expect more lenient regulations on capital and human resources. Such differences inevitably lead to different comments and requirements. Nevertheless, overall speaking, Shenzhen government is striving to create a comprehensive entrepreneurial environment in which different entrepreneurs can successfully find their own niches. Following Shenzhen's rapid economic development, businesses are increasing their demands on the market, government policy and the legal environment. However, the government is not perceived by the experts as being able to provide timely support to entrepreneurial activities.

Shenzhen has launched a number of good programs, yet these programs are not that well executed. Many interviewed experts do not have a good understanding of relevant government incentive programs. Some feel that policies get stuck at formulation stage. Other interviewed experts, though they understand relevant policies, find communication with government departments to be unsatisfactory as they do not know which government departments they should approach. Some interviewed experts think that Shenzhen is providing too many incentive programs to high-technology enterprises, while those for other enterprises are not receiving sufficient support. In addition, some interviewed experts find a lack of clear objective directions in the supportive resources that have been listed in government programs for SMEs.

Shenzhen has established programs to support the development of SMEs. A number of new enterprise development investment funds have been set up including venture capital funds, high technology industry funds, entrepreneurial funds for people studying abroad, and development funds for small and medium sized enterprises. And there are other plans available, such as *Subsidy Scheme for the Roadmap of Growth for Innovative Enterprises in Shenzhen*²⁶. The Government of Shenzhen has set clear positioning and focus for its supportive schemes. *Several Policy Measures for Strengthening Proprietary Innovation and Promoting*

²⁵ Household registration is necessary to obtain social benefits such as public education for children.

²⁶ See Ministry of Finance (2008) Peoples Republic of China《科技部 2008 年 04 月 08 日《深圳市创新型中小企业成长路线图资助计划操作规程》的通知
深府办[2006]128 号 http://www.most.gov.cn/kjzc/kjzcdfgz/dfzcsz/200804/t20080408_60481.htm



the Development of High Technology Industry, for instance, is a significant document for building up a sound policy environment, with 33 clauses under six sections.²⁷ The entrepreneurial investment funds founded in Shenzhen, of a government nature, serve policy guidance and leverage functions and can attract more private capital to support the development of SMEs. Take the to-be-founded special fund for establishing Shenzhen as a national innovation city as an example. The Government of Shenzhen will increase its financial input year by year for a period of three consecutive years while proactively driving public capital to technological innovation. Tax incentives and financial subsidies will be provided for selected high technology enterprises. An accumulative sum of RMB3 billion will be invested in phases to establish a guiding fund for entrepreneurial investment, while a RMB1 billion risk compensation fund for large medium and long term bank loans for key private enterprises will also be set up.

Furthermore, in the *Regulations of the Shenzhen Special Economic Zone on Promoting the Development of Small and Medium Enterprises (Draft)*²⁸, a concrete plan, should provide financial support to SMEs. Special funds are to be allocated in Shenzhen's annual budget to support the development of SMEs, which increase to an appropriate extent according to the government revenue of the year. Also, district governments should, based on their respective districts' actual situations, arrange special funds for different purposes, including establishing financing, credit guarantee and social service systems, exploring markets, preparing businesses for public listing, improving information technology infrastructure, as well as providing special support to leading private enterprises and developing SMEs.

One can see that it has been part of the Shenzhen Government's overall planning to provide support to SMEs, with special services offered by departments of the government. However, most interviewed experts think that the government's supportive schemes for SMEs have not achieved obvious results compared to those for high technology enterprises.

Although it has SME programs currently in place, the SMEs are unaware of the programs because the government has failed to promote them. Furthermore, the criteria for eligibility for government programs are not sufficiently clear. In order to effectively carry out these programs, the government should consolidate the criteria into clear regulations to facilitate program effectiveness, particularly for SMEs.

Interviewed experts say the government is not providing adequate support to new businesses. The procurement departments of the government, for instance, have no priority conditions for new businesses so

that they can be considered first. Instead, market mechanisms are followed and the fittest survives. Reputable and established businesses, with better government contacts, better qualifications and more experience, are therefore more competitive than their newly established counterparts. Because of their small sizes and a lack of preferential policies, small companies are basically ruled out of the possibility to win government contacts. Without a recognized brand name, they find it difficult to survive in the market as the market tends to choose branded companies rather than new ones when the conditions are equal.

4.3 Education and Training in Shenzhen

Most experts we interviewed think Shenzhen does not yet have a complete system for entrepreneurial education and training. Relevant resources have not been satisfactorily utilized and the private entrepreneurial education and training sector is insufficiently comprehensive. Experts had five specific criticisms of the current system as follows:

The system is not well established and standards need to be raised. Our experts shared the view that Shenzhen has not yet established an education and training system for new, small and growing businesses, and the existing education and training standards need improvement. Training available for new businesses is insufficient and needs to be more systematic and professional. In fact, due to a lack of professional training institutes, venture investment firms are taking up part of the government's responsibility to provide training for new businesses.

Existing education and training resources in Shenzhen have not been fully utilized. Entrepreneurship education provides only very limited support for entrepreneurship. So far, entrepreneurial skills are not part of the curriculum of most secondary schools and there are only a limited number of courses related to entrepreneurship in universities. Tertiary education is mainly academic and lacks relevance and business experience leading to divergence between academe and the real world. Resources available to Shenzhen's tertiary institutions have not been well utilized so most entrepreneurs do not receive sufficient commercial knowledge and entrepreneurial training. All in all, there is a serious lack of education and training opportunities on enterprise management, survival and development, and real business practice.

There is a lack of government support and no department is specialized in entrepreneurship. Without a comprehensive government-led training system, businesses receive no support or guidance from the government. There are also problems regarding the certification and qualification of training institutions. Some training institutions are not officially certified. The quality of management consultancy firms varies largely. So does the training quality. In the worst cases, they do not possess any professional knowledge.

²⁷ The six sections are "Fundamental Innovation Capabilities", "Innovation Talents", "Corporate Innovation", "Market Space", "Commercialization of Achievements" and "Entrepreneurial Investment and Financing". See Shenzhen Municipal Government (2008)

²⁸ See Shenzhen Municipal Government (2009)

This causes problems for the authority to supervise training institutions. Capital, policy and other support cannot be provided for new firms and SMEs, and supervision cannot be carried out in a standardized manner.

Training fees are high. Both training and guidance (in the business schools) are helpful but the fees involved make them unaffordable to many entrepreneurs. The fees of entrepreneurship courses offered at Cheung Kong Graduate School of Business, founded by Li Ka-shing, and China European International Business School (CEIBS) are, of course, beyond the affordability of ordinary entrepreneurs. Even the lowest priced courses, for example, the Bachelor of Science in Entrepreneurship and intensive entrepreneurship courses run by Teacher Lin Weixian at Doers Business School²⁹ which charge less than one-tenth of the courses at Cheung Kong Graduate School of Business or CEIBS are still too expensive to many ordinary people. It would be of great help to entrepreneurs to achieve growth if the government offers more advanced training courses for free.

Private education development has not been satisfactory. The private education industry is not being proactively developed in Shenzhen compared with many other Chinese cities such as Shanghai, Hangzhou, and even Guangzhou. The development of private education industry in Shenzhen has not been satisfactory and only a few training institutions are well-established. As a result of the poor development of private institutions, training in the city is limited by inadequate facilities and equipment.



4.4 Research and Development Transfer in Shenzhen

On one hand, our experts point out Shenzhen's science and technology occupies a leading place in the nation; the transfer of its science and technology fosters the growth of enterprises; Shenzhen's virtual universities and technology parks have had successful technology transfers and these have been transformed into business opportunities, and thanks to strong scientific research capabilities, enterprises are able to translate scientific and technological achievements into productivity quickly. On the other hand they say that there is no system to transfer to startups and growing enterprises newly researched and developed technologies.

Firstly, research achievements and patents of a large corporation are almost always used solely by large corporations. They are rarely shared or spread, resulting in low utilization. Secondly, Shenzhen lacks an effective market for technology and patents. So, despite great demand for technology from research, with no unified and professional services available in Shenzhen for transferring technology, new businesses cannot find a platform for acquiring technology, and the success rate of technology transfer is further lowered through poor inter-corporate cooperation exacerbated by lack of trust and inefficiency. Thirdly, there are no accepted technology appraisal systems; the legal barriers to intellectual property infringement remain unclear; technology transfer platforms are few; new businesses may not be able to assess the effectiveness and sustainability of new technologies; technology buyers and sellers lack intellectual property monitoring platforms; and these factors contribute to the mismatch between what technology is developed and what technology is needed. Lastly, the government places excessive emphasis on the latest and advanced technologies. Despite the large sum of capital put into innovation, the government does not have a clear understanding of the environment and process of innovation.

4.5 Commercial and Professional Infrastructure in Shenzhen

As far as commercial and professional infrastructure is concerned, small, new and developing businesses enjoy much fewer incentives and services than their larger counterparts. In particular, there has been no business sector established to provide professional services specifically for SMEs, whether it be accounting, banking, law, management and consultancy or information processing. So notwithstanding the well developed market for business services in Shenzhen, those services are less available to new and growing enterprises.

Because Chinese businesses have a tendency to strive for self-sufficiency, not relying on public or outsourced services, there are only small demands for these services and they are not well developed.

²⁹ See <http://www.doers.cn>



One aspect of the commercial and professional infrastructure relates to respect of intellectual property rights. The majority of first-time entrepreneurs tend to seek the greatest return with the smallest input. Usually they do not give sufficient consideration to knowledge transfer. At present, measures implemented in Shenzhen are inadequate to protect intellectual property. Piracy is one obvious problem as it is often considered normal in Shenzhen society. Intellectual property rights are not only given no respect, but more often are ignored or cast aside. The government has not done enough to combat copyright infringement, which discourages the transfer of intellectual properties.

In summary, interviewees felt that the soft environment for start-up has a long way to go.

4.6 Market openness and market entry barriers in Shenzhen

Experts interviewed recognize Shenzhen as one of the most influential entrepreneurial centers in China. Both within the metropolitan area and the suburbs³⁰, numerous entrepreneurs, ample capital, stimulus of the ChiNext venture board, full entrepreneurial system and development of high technology industry contribute to a highly active entrepreneurial environment. There are increasing opportunities and the entrepreneurial environment is changing for the better. Entrepreneurs are equipped with better, relevant skills, and are starting their businesses to seek opportunities rather than out of necessity. This should result in more employment and exports while creating new markets.

Shenzhen has built a good market economic system. It is a relatively open market with good peripheral industries. The stable industrial structure provides excellent opportunities for businesses in the startup stage. Those successful companies which have survived the competition, can serve as good references for entrepreneurs to develop complete operation plans for their own businesses. As a window of China's reform and opening-up to the world, Shenzhen has produced a virtuous market economic cycle. After China's accession to the World Trade Organization, it has also served as a testing ground in various aspects and its service sector has launched a number of innovative measures to catch up with international practices.

Shenzhen also boasts low market entry barriers. Business registration process and procedures are relatively simple and convenient, providing good prospects for new and growing businesses. Shenzhen also provides opportunities to new businesses to grow under fair competition.

³⁰ The metropolitan area are the districts of Luohu, Futian, Nanshan, and Yantian; The suburbs Bao'an, Guangming, Pingshan and Longgang. The metropolitan area is referred to as "inside the boarder" (境内) and the suburbs as "outside the boarder" (境外) because before 2010 the suburbs were not part of the Special Economic Zone.

In addition, Shenzhen is a city without local protectionism. There are no regulations to specify things that are used in Shenzhen must originate from Shenzhen. When it comes to people, the job market, labour market and technology market are all rather lenient. And experts feel that Shenzhen is doing comparatively well in protecting patents.

But interviewees were not in agreement with the government's role in reducing market entry barriers. Said one interviewee

Most so-called reforms involve only shifts of administrative functions among different government functional departments. Yet the procedures are not fundamentally changed to become simpler, and even greater difficulties are created for businesses to identify the right departments. When you try to approach the previously responsible department, you will probably be told that the duties have been shifted to a new department; however, when you approach the new department, it is likely that they have not yet picked up the job well.

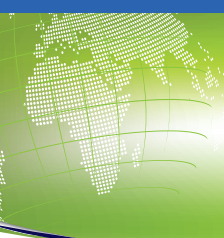
Another said

For example, the owner of one Hunan-style restaurant is adept at handling commercial and taxation issues. But he has failed to successfully apply for fire department certificates. He fears fire department inspections because they often lead to demands that he renovate his restaurant. Some suggestions are simply infeasible, and he can only settle them by bribery.

Internet bars and clinics can only operate illegally as they cannot successfully apply for business registration certificates. However, they meet a true market demand and they are making money. They may feel that there is no harm in operating in this illegal way. Without a business registration certificate, an entrepreneur may shirk responsibilities in case of any accident.

One entrepreneur commented

Excessive processes and procedures set by government departments add difficulties and are very time-consuming. They drive our attention and energy away from our new businesses. There are also excessive processes and procedures for individuals, many of which are just impossible to be completed. And how things are done is largely determined by your relationship with officials. For instance, under the family planning policy, when you want to transfer your second child's household registration to Shenzhen, you may be asked to complete certain procedures. You may have to visit relevant government departments for more than a dozen times, and apply for official documents from the government. But how can an ordinary citizen



get such official documents? However, if you can seek a relation with the police security bureau, you can simply write a note to settle the situation.

National policies can serve to block entrepreneurship. This is especially true for industries supervised on a national basis. One interviewee commented,

The travel industry, for instance, is under strict supervision of the national government, and everything from top to bottom is controlled. Shenzhen's open market does not mean that the country is also open.

Hence, there is a conflict with respect to market openness and barriers to entry. On the one hand, Shenzhen has a fully recognized, exemplary 30-year tradition in reducing barriers to entry for entrepreneurs. On the other hand there is a fear that, if this tradition is not strengthened, Shenzhen entrepreneurship will suffer. One interviewee summed up this uneasiness.

Every year a large number of people go to apply to be civil servants. But why are new entrepreneurs so few? Obviously it is because a lot of people prefer to live a steady life as they find insufficient motivation to start their own business due to the many restrictions in the place. Therefore, to facilitate entrepreneurial activities, our country should further open up the market, allow it to become freer, and further lower its entry barriers.

4.7 Access to Physical Infrastructure in Shenzhen

As a new city, equipped with the world's leading facilities for water, electricity, telecommunications and other public utilities, Shenzhen enjoys a very good physical world-class infrastructure. Buildings are new, and build according to good city planning; parkland is abundant and roads and streets are well planned and built. People visiting Shenzhen from elsewhere in China are often struck by the desire to stay – after all Shenzhen has been the most talked-about place among the Chinese in the past two to three decades. And it is often considered a most incredible place. A lot of people become rich and then make their home here. There is the impression in China that whoever comes to live in Shenzhen will experience great changes. They will look different, becoming richer and enviable in the eyes of people back in their home town. Having done a good job in urban construction, Shenzhen should continue to build a green city.

Of course there is no free access to much of Shenzhen's physical public infrastructure. Most is not provided by the government for free: it is commercialized. And there are a lot of restrictions on, say, the use of land and space.

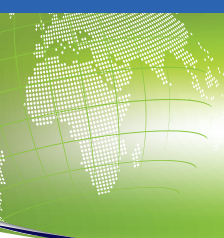
In recent years, Shenzhen has achieved rapid development in logistics, subway system, and telecommunications.

One interviewee noted that in the preparation work for the Universiade 2011 Shenzhen has the great opportunity to seek further enhancements to its physical infrastructure. Shenzhen can catch up with Shanghai in terms of its international status notwithstanding Shanghai's fast recent progress.

4.8 Cultural and Social Norms in Shenzhen

The most lively feedback we received in our interviews with experts concerned Shenzhen's culture. As Figure 30 above indicates, the experts overwhelmingly reflected the positive influence that Shenzhen's cultural and social norms have on innovation and entrepreneurship. They reflect the real enthusiasm that experts express for their adopted city. They unanimously view Shenzhen as one of China's most innovative cities but feel that its innovative culture needs to be persistently fostered. The city's social norms, especially those legal norms that help facilitate innovation, should be improved continuously so that innovation achievements can be protected by law, and intellectual property rights can be given respect. It is in this way that a stronger passion for innovation will be stimulated.

Shenzhen's favorable environment for entrepreneurs has attracted numerous people to immigrate, to start business in Shenzhen and to use it as a base from which to go global. Among the advantages of Shenzhen's



culture are that Shenzhen is an energetic and open-minded city. Migrants come to Shenzhen from all over the nation to look for opportunities. They respect personal privacy, worship wealth, prefer adventures, honor entrepreneurship and place great emphasis on technology. Like the people of Hong Kong, they are proud of the market orientation and world vision of Shenzhen and have made enormous efforts to develop the city into China's one and only one entrepreneurial hub in a location adjacent to Hong Kong.

Shenzhen continues to be an immigrant city. Shenzhen's inclusive culture has attracted talented people from all over the nation. Shenzhen accepts everybody whether you come from Henan, Hunan or Sichuan, and even if you do not speak Cantonese. Unlike other cities in China, there are no regional and language discriminations. In Shenzhen you can communicate simply using Putonghua.

One interviewee commented

Shenzhen has an excellent cultural environment. A lot of people having lived in cities such as Shanghai, Beijing, Haikou and Wuhan are fonder of living in Shenzhen. No matter what country or place you come from, you will not feel strange or separated in Shenzhen, thanks to its migrant culture which is inclusive and diversified. And you do not have to worry too much.

Another said,

Everybody has to start somewhere. When you succeed, your achievements will be recognized; when you fail, your friends will give you encouragement – people here in Shenzhen are lenient with failures.

Another commented

We are a free society and a free city. People living in cities should develop entrepreneurship while growing up, so that they can develop their own business and create a world of theirs.

One problem with the free, immigrant nature of Shenzhen society, however, is its lack of loyalty. Some entrepreneurs, after their success in the city, move to other places. Commented one expert

If we want them to stay in Shenzhen, cultural support is essential. The Shanghai style culture has played a significant role in attracting talent.... Why do some businesses move to Shanghai or Beijing even though they are running well in Shenzhen? The reason relates to the cultural and social norms in Shenzhen. Shenzhen has to establish a better cultural atmosphere if it wants to make talents and businesses stay.

One unsavory part of Shenzhen culture is its lack of self respect in commerce. The same expert continued

The commercial norms are also not sufficient, as exemplified in the “shanzhai” (imitation and piracy) culture popular in Shenzhen. Commercial norms actually refer to international norms, which have to be strictly followed to gain acceptance of overseas buyers. Of course Shenzhen has identified its own problems and improvements are being made....

There are problems with human resources in new and growing enterprises, exacerbated by entrepreneurial short-termism. One expert commented

To achieve rapid development, new businesses should identify and recruit core staff. Bosses and founders of newly established business who possess professional qualifications, technology and specialized skills may be weak in attracting talents to join their company. Because they are concerned to save money, they may neglect investing on human resources and employ less talented people.

On the other side of the hiring decision, the attitude of job seekers also adversely affects entrepreneurship.

Many job seekers prefer to be a small fish in a big pond rather than a big fish in a small pond. They tend to work in large corporations for an average salary because large corporations are more resistant to risks and hence they can have a better sense of job security. They are unwilling to work in small businesses even though better remunerations are offered.... This leads to a surplus of talented people in large corporations and large platforms, and these people may feel underemployed and lose the sense of doing valuable work.

Shenzhen should do more in developing entrepreneurial talents. In old Chinese culture, there has an ambivalent attitude to this thing called entrepreneurship. Shenzhen today has diverse cultural philosophies but a stable entrepreneurial culture with an innovative consciousness has yet to be established.

Chinese are used to living a steady life with a secure job in a work unit. In the past, only people under heavy living pressures would start their own businesses. University graduates would start their business only when they failed to find a job. It was rare to see people take the initiative to start their business, while most entrepreneurs start their business because there are no other alternatives available. Even though the Bureau of Labour and Social Security and the Bureau of Personnel launched the “More enterprises, more employment” campaign, few implementing measures have been carried out so far.



Shenzhen culture is evolving as the city matures. One interviewee painted a very optimistic view of this maturing process

Shenzhen has an inclusive culture, especially in attracting the elite of the country. From the time Shenzhen started to develop from a small fishing village to now, only 29 years have passed, so Shenzhen is now 29 years old: it is like a person who has just crossed into maturity. This inclusive culture of Shenzhen attracts talent across the country.

Concern, however, was expressed on whether the new generation would pursue Shenzhen's entrepreneurial tradition. The same attitude towards entrepreneurship that we noted in Hong Kong is presenting itself in Shenzhen. For those who value Shenzhen's entrepreneur tradition, the changing attitudes reflected in Figure 5b above, where the proportion of the adult population considering starting a business to be a desirable career choice has fallen from 76 percent of the adult population in 2003 to 50 percent in 2009 is alarming. One of the experts believed that the problem lies with the new generations.

University graduates of the post-80s and post-90s generations are inexperienced and they usually have unrealistic expectations, being the only child in their families.

One interviewee commented,

It is true that Shenzhen provides certain favorable conditions for entrepreneurship, yet many young people nowadays tend to look for a job and work as employees for many years. They are frightened to start their own business. They prefer working for a small paycheck to starting their own business. This, however, relates to the social and cultural systems – even successful entrepreneurs would tell you that they had no other choices at the time they decided to start up their own business.

What gives a person the feeling of value, of self worth? One expert commented

In society, there is a one dimensional definition for success: being the largest or the strongest. However, real success occurs when you persevere to accomplish something. Working for yourself and starting business: that is success. But this value is rarely promoted. So we should rebuild our value systems. ...





5 RECOMMENDATIONS

5.1 Hong Kong Recommendations

Entrepreneurship is important to Hong Kong, but how it can be appropriately fostered is unresolved. We received 93 recommendations³¹ from our experts to answer the question about how it should be fostered. We re-group them into 20 major recommendations which we summarize in Figure 34 below in declining order of the frequency of their recommendations. We classify those recommendations into three categories: The first four account from over half of all recommendations and are raised from eight to 20 times. We support them without reservation. The second category consists of recommendations made by from three to five experts. We believe that they are worthy of further study and implementation in some form. The third category, comprising recommendations suggested by one or two experts are also with merit, but, being less frequently raised may be considered for reference.



³¹ Although we interviewed 36 experts, who were asked to give three recommendations each for 108 total, because some gave less than three, our total number of recommendations in Hong Kong was only 93.

Figure 34: Summary of Expert Recommendations: Hong Kong

Topic	Recommendation	Number of Recommending Experts
Education and Training	Reform education to train the next generation to be creative and entrepreneurial; fund media initiatives in education; publicize the importance of entrepreneurs and innovators as role models; encourage young to start business; pursue lifelong learning in business	20
Government Policies and Programs	Clarify the industrial policy; improve consultation; expedite policy determination; set up a one stop shop	12
Financial Support	The financial community with coordination from the government, should build capacity to provide debt and equity financing channels to early stage growth companies	9
Cultural and Social Norms	Prospective entrepreneurs should throw away the safety net and take responsibility for their own success or failure; they should be self-reliant, creative, sensitive to global market demand, appropriately cautious; attuned to fashions and not looking to government for support	8
Government Policies and Programs	To offset the high cost of land the government or social organization should provide facilities to support useful arts in the form of neighborhood cooperatives or public library like industry based facilities	5
Government Policies and Programs	New government programs should provide funding to help startups and SMEs	5
Government Policies and Programs	The government should emphasize appropriate technology rather than high technology entrepreneurship and should not stimulate specific industries	4
Government Policies and Programs	The government should enhance export opportunities , in particular China market opportunities through increased dialogue	4
Cultural and Social Norms	Hong Kong should enhance its national and international outlook; entrepreneurs should think and act China	3
Cultural and Social Norms	Hong Kongers should think longer term, increase their domestic partnerships and work together with industrial associations	3
Government Policies and Programs	The government should enhance media attention to entrepreneurship implement more programs to provide public information and lifelong learning on effects of industry on economy and showcase entrepreneurship cases in media	3
Government Policies and Programs	The Government should relax restrictions and be more creative in the implementation of existing programs	3
Government Policies and Programs	Programs should be introduced to accelerate knowledge transfer from universities to private sector SMEs; SMEs should be encouraged to do research with government funding	3
Government Policies and Programs	Improve the living environment of Hong Kong to increase its attractiveness as a financial center	2
Government Policies and Programs	Relax the immigration policy; attract entrepreneurs and students	2
Government Policies and Programs	Revert to positive non-interventionalism	2
R & D Transfer	Program should be introduced to give tax breaks for startup businesses and for products made in Hong Kong	2
Government Policies and Programs	The government should implement fair-competition laws	1
Government Policies and Programs	The government should be more democratic	1
Government Policies and Programs	The government should narrow pay differentials	1
	Total Recommendations	93



We discussed in Part 3, entrepreneurial framework conditions, the issues concerning government policy and programs, education and training, cultural and social norms and financial support, as these issues were of greatest concern to the experts. Here, we return to those recommendations and review them in light of similar recommendations that we gave in our previous studies of 2002, 2003, 2004 and 2007.

Recommendation 1: Reform education to train the next generation to be creative and entrepreneurial; fund media initiatives in education; publicize the importance of entrepreneurs and innovators as role models; encourage young to start businesses; pursue lifelong learning in business.

In all, over 20 diverse recommendations dealt with the need to instill in the younger generation an understanding of entrepreneurship in the economy, an appreciation for value creation, an ability to be innovative and creative and a predisposition to take the initiative to solve society's problems.

These recommendations differ only slightly from past years, where they also were the most often cited recommendations of our experts. Past recommendations included:

- Educational institutions should offer practical business training courses meeting the needs of business in Hong Kong
- Education systems - from primary through post-secondary - should stimulate creativity
- Experienced entrepreneurs should mentor youth.
- Review the design of school curriculums to promote entrepreneurship. Teach students about investment, how to manage personal finances, attributes of an entrepreneurial spirit, and relationships between risk, success and rewards.
- Encourage and set priorities for education in the sciences, biotechnology and mathematics to promote the entrepreneurship environment for more technology-related areas.
- Train students for the knowledge-based and services-related businesses
- Provide a balance of liberal arts and technical education - liberal arts in the early part of the education and technical training towards the end of the education program.
- Teach students that hard work, determination and creativity are keys to success, even in the entertainment industry, from where many youth role models are currently drawn.
- Give students the challenge of starting business and working in businesses as part of the educational process.
- Increase the participation of business mentors in secondary schools and tertiary institutions, whereby people with much experience and success in running and starting businesses from any sectors become mentors to students and would-be entrepreneurs.

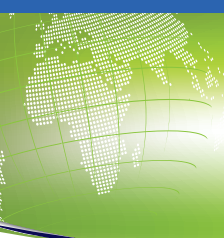
Hong Kong is proud of being a vibrant, knowledge-based, innovative society of high caliber, enterprising, professional, informed, hard-working people. To maintain these advantages, we must continue to improve our education system to meet the needs of our changing society. The direction of education reform is appropriate, but there is much more to be accomplished.

Recommendation 2: Clarify the industrial policy; improve consultation; expedite policy determination; set up a one stop shop on government policies and programs for entrepreneurs.

Hong Kong's current industrial policy – the four pillars, the six critical industries and a program of research clusters – has evolved over the last decade, but is still not sufficiently clear and decisive, nor is the process of its evolution sufficiently transparent. As we discussed above, although Hong Kong is philosophically committed to the small government of positive non-interventionism, pragmatic industrial policy initiatives should be consistently designed and implemented in a way that attracts the understanding, if not full support, of the community. In past years, especially in the years following the handover, we emphasized this philosophy, recommending:

- The government should limit its intervention in the economy, should not intervene to increase the rate of start-ups and should reduce bureaucratic impediments to business.
- Simplify applications procedures for small business
- Implement no policy change that will cause substantial increases in government spending.

Currently with public finances in good order and with the industrial policy a fact of Hong Kong life, our emphasis has shifted to ease of access, clarity, transparency and maintaining of political philosophy consistent with Hong Kong values.



Recommendation 3: The financial community with coordination from the government should build capacity to provide debt and equity financing channels to early stage growth companies.

Our previous studies took the view that it was the responsibility of the financial industry to change the way it approached the financing of new and growing enterprises.

Particularly, notwithstanding varied recommendations of experts, we emphasized:

- Neither the government nor any regulator of financial institutions should attempt to affect the portfolios of Hong Kong financial institutions (banks, other authorized institutions, insurance companies, pension funds, venture capitalists) concerning financing for start-ups.
- Banks should reform SMEs customer policies to increase the extent to which loan pricing and monitoring of cash-flow based loans and customer counseling on financing for new ventures in Hong Kong and China can offset risks of lending.
- Venture capitalists should be open-minded toward new technologies and ventures from Hong Kong incubators such as the Science Park

Our new recommendation reflects a changed perception that more scope exists for industry government cooperation, and that this cooperation can be achieved without endangering the role of Hong Kong as a financial center.

Recommendation 4: Prospective entrepreneurs should throw away the safety net and take responsibility for their own success or failure; they should be self-reliant, creative, sensitive to global market demand, appropriately cautious; attuned to fashions and not looking to government for support.

This recommendation flows from a recognition of a tradition of entrepreneurship that is in increasing danger of erosion. It is noteworthy that this recommendation, reflecting an unease felt about the future of cultural and social norms by eight of our experts, was not articulated as clearly in past studies.

5.2 Shenzhen Recommendations

More than one fifth of the life of Shenzhen has elapsed since our last GEM report covering 2004. Since then, as we describe in the above report, the entrepreneurial environment and framework conditions have dramatically evolved. Hence, the following recommendations to enhance entrepreneurship in Shenzhen will be made without reference to our past studies' recommendations.

Recommendation 1: The government should carry out administrative reforms to improve and increase government services to new and growing businesses

- Make and execute policies openly, fairly and transparently to create a fair and equitable competitive environment for new and growing businesses.
- Maintain good communications between government and industry; quickly build an information platform for communication between the government and SMEs.
- Organize business-government meetings around specific themes to allow government to understand business needs so that it can provide business with better help.
- Further open the market to reduce entry barriers and facilitate entrepreneurship.
- Enhance the quality and efficiency of public services. Simplify the new company registration processes.
- Establish a one-stop shop for entrepreneurs to help them handle business registration, tax registration, etc. This agency should be subsidized by the government.
- Launch tax incentive policies to encourage new business creation.
- Address the inappropriate government service standard and become more effective serving business.
- Establish continuity in policies to support SMEs. For instance, to tackle the financial crisis, the Shenzhen Government launched in 2009 an SME support fund. The good operation of the fund suggests that it should become an on-going program.
- Increase technical testing services centers to lessen the burden on businesses.
- Strive to create, through effective city planning, an environment where entrepreneurs can live comfortable, affordable lives
- Reduce restrictions on the development of specific industries.
- Continue to improve the legal environment to foster SMEs

Recommendation 2: Financial institutions and the government should increase financing sources for new and growing businesses

- Redefine relationships between banks and businesses. Encourage banks, guarantee corporations and other financial institutions to reform their credit policies to provide – at acceptable risk levels – small, unsecured facilities to new and growing businesses based on credit assessments of business models, projected profit, etc.
- Relieve the difficulties new and growing business face in applying for government funds by relaxing restrictive terms so government funds can be tapped in a timely manner.
- Establish, through law and regulation, a credit information platform to increase the information transparency and trust between financial institutions and firms.
- Encourage multi-level, multi-channel financing for new and growing firms including personal investment, informal investment, angel investment, special funds, venture capital, and private equity.
- Improve risk capital institutions. Formulate policies for the SME Board, the ChiNext Board, the bond market, etc., favorable to new and growing businesses.

Recommendation 3: The government should improve further the physical and professional infrastructure for the benefit of new and growing firms.

- Use the hosting of Universiade 2011 to further improve physical infrastructure.
- Establish transparent environmental as well cash flow project evaluation standards. Environmentally favorable projects promoting wind and solar energy, reducing energy/emissions, etc., deserve political and financial support.
- Improve the professional services industry by ending the monopolies held by relevant government departments over accounting offices and law offices so these professional services for new businesses can be enhanced.
- Establish non-profit management consultancy institutions – such as productivity centers – to serve SMEs.
- Give small businesses in Shenzhen at least the same benefits that their large counterparts, for example
 - o Encourage SMEs to exhibit in industry exhibitions at a low cost.
 - o Allow new and developing businesses specializing in high technology to reside in science and technology parks,

Recommendation 4: Invest more in entrepreneurial education and training.

- Introduce entrepreneurial education and commercial training into
 - o Secondary schools: enterprise spirit and skills.
 - o Vocational training: basic startup abilities to broaden their opportunities
 - o Continuing education: basic training for those intending to start firms
 - o Universities: entrepreneurship theory and training in all aspects of university education
- Set up a comprehensive training system to meet actual needs of new companies and soon-to-be founded businesses including risk assessment, competitive analysis and market positioning
- Standardize entrepreneurial training activities and implement a quality certification system to give official recognition to entrepreneurship training centers to ensure professionalism and quality.
- Promote entrepreneurial education programs that increase entrepreneurs knowledge and risk awareness to increase success rates.
- Encourage young people to create their own business, and such value will lay down a foundation for entrepreneurial activities.

Recommendation 5: Establish research and development transfer systems for new, small and developing businesses.

- Allow the innovation projects of SMEs to be included in national research projects.
- Screen government research projects for free transfer to new, small and growing firms.
- Give technology support to new, small and growing developing businesses to help them work on high-tech projects.

Recommendation 6: The government should encourage industry associations to perform greater roles in the economy.

- Industry associations should develop standards (for example, benchmarking consultancy firms).
- In the same way that government departments have their own procurement regulations, industry associations should develop procurement standards for their respective industries through discussions with the government.
- Industry associations should benchmark government services, professional qualifications, best practice cases and setting industrial regulations.

Recommendation 7: Shenzhen entrepreneurs should improve the moral quality of entrepreneurship

- Create a sharing, honest, trustworthy, tenacious, cohesive, decent and talented entrepreneurial environment, which will be the basis for a spiritually and materially rewarding, socially responsible, morally uplifting urban culture
- Strive for honesty in business. Entrepreneurial activities prosper in an environment of trust. Root out lack of honesty in government and the attitude that business is a zero sum game. Dishonesty stifles venture investment and credit. If individuals strive to maintain lasting relationships and businesses emphasize honesty, practicality, quality and social harmony, entrepreneurship will benefit.
- At the very least, every entrepreneur must start up and operate his or her business according to the law.
- Businesses should develop meaningful corporate cultures that express their value systems to make a difference. The corporate culture is the soul of a business. It is what the staff of the company believes to be important in their work, whether they are planning, operating, manufacturing, sourcing, distributing, servicing, etc. Corporate culture is a pillar for sustainability. Entrepreneurs should articulate and practice core values that meet customers' needs and give purpose to employees' work. Good corporate culture attracts, motivates and retains talented people.³²

³² See State Asset Supervision and Administration Commission of the Shenzhen Government (2008) for a discussion of how to establish good corporate culture.

6 PRACTICAL INSIGHT AND ADVICE

Our final section in this report presents practical advice to Hong Kong entrepreneurs on four critical aspects of their businesses. Since most readers interested in entrepreneurship in Hong Kong are in fact concerned about “being a boss” rather than “being Bill Gates”, we focus on the SME. We are grateful to Mr. Edwin Lee of Hong Kong Business Intermediary Co. Ltd. for providing the following three articles.



Mr. Edwin Lee
Founder and CEO
Hong Kong Business Intermediary Co. Ltd (HKBI)



Edwin Lee is the Founder and CEO of HKBI, the first and leading business broker for small businesses in Hong Kong. Winner of the HKMA's 2008 Quality Award, widely recognized as the highest business accolade based on the Malcom Baldrige Award in the USA, HKBI is dedicated to promoting entrepreneurship in Hong Kong through the most efficient way of starting a business: Buy a Business.

Named the Innovative Entrepreneur of the Year 2007 by the City Junior Chamber of Hong Kong, Edwin is the first person outside of America to be the Chairman of the International Business Brokers Association (IBBA), the world's largest association for business brokers established in 1983 and currently based in Chicago, USA.

He is a U.S. Certified Public Accountant (CPA), a Chartered Financial Analyst (CFA) and a Certified Business Intermediary (CBI). Edwin received his B.S. Finance and M.S. Accounting from University of Southern California, USA. He is currently earning his degree in Doctor of Business Administration at the Hong Kong Polytechnic University.

6.1 Comparing Different Entrepreneurial Models

Entrepreneurs enter the retail service market, using one of three methods – generally known as the Three Bs - to start up business. The Three Bs are ‘Borrow’, ‘Buy’ and ‘Build’. The Borrow method refers to franchising, a practice which enables entrepreneurs to borrow established companies’ trademarks and business models. The Buy method is a practice of entrepreneurs to purchase an existing business with a good foundation, which is sold by the business owner for whatever reasons. The Build method is a way where entrepreneurs establish a business from scratch, taking care of everything from looking for shops to buying goods and hiring people. As a matter of fact, the three startup methods have their own pros and cons and I am going to analyse them one by one, so as to give entrepreneurs a clearer path to become successful.

Franchising Advantages

Suitable for Conservative People Who Do Not Emphasize Creativity — A characteristic of franchising business is that the entrepreneur does not need to establish a new brand while enjoying large support from the franchiser. It is safer for entrepreneurs with not many business concepts and marketing strategies to invest in this type of business, as the franchiser provides support on a multitude of issues from the formulation of marketing strategies to shop renovation. Income is relatively stable too. Nonetheless, entrepreneurs should consider the business scale of the franchiser – franchisers with only a few shops will provide less support.

Lower Business Risks — Generally speaking, franchisers enjoy good reputation and franchisees can enjoy favourable operating conditions including the franchisers’ patent rights, business objectives, management models and supplier arrangements. They can also share the advantages of economies of scale, such as lower costs of goods. In addition, the franchiser can expand its sales side at a lower cost and a lower financial risk. Entrepreneurs can not only enjoy their franchisers’ well-established management systems and brand images, but also receive related technology transfer. In this way, they can more easily put their businesses on track.

Easier to Estimate the Amount of Investment Capital — Most franchisers have established fixed specifications for renovation, furniture and fixtures, so a more accurate estimate on the amount of investment capital can be provided to entrepreneurs. The business is also safer as the franchiser has accumulated a considerable number of supporters.

Franchising Disadvantages

Greater Restrictions on Franchisees from Exceptionally Successful Franchisers — Generally speaking, franchisees are required to operate their shops under the requirements and regulations of the franchiser. The more successful a franchiser, the greater restrictions it posts on its franchisees, in order to have a better control on the brand achieved at the expense of the franchisees’ operating flexibility. Franchisees are not

employees of the franchiser, but independent business entities whose relationship with the franchiser is bound by their contract.

Franchisers’ Quality and Reputation Not Quantifiable or Controllable — For new franchise systems, if one of the shops loses its reputation, other franchisees in the system will quickly be affected as a result of a snowball effect.

Franchise Fees and Other Expenses Must be Carefully Calculated — The franchiser charges a one-time franchise fee for starting up a franchise, after which the franchisee is required to pay a monthly service fee and management fee, including royalties and advertising fees. In general, the franchise fee is, more or less, directly proportional to the brand awareness and size of the franchiser.

Buying Existing Business Advantages

Suitable for People with Creative Ideas Who Do Not Want to Take High Risks — Buying an existing business enables the entrepreneur to continue operating the business in an established way with built business reputation, customer base and supplier linkages, hence reducing the risk of losing invested capital as well as the expenses and time on startup issues including shop renovation and equipment purchases. Relative to the Borrow method, greater business flexibility is ensured. You can also employ your creativity and make changes to the existing business at lower risks. This is especially beneficial in industries which require permits to operate, such as restaurants and learning centres.

A Quick Way for Entrepreneurs to Begin Business — For entrepreneurs, time is money. Buying an existing business enables entrepreneurs to fight for more time to do business. Relying on existing regular customers, the business can shorten the start-up period and speed up the return on investment. In addition compared with the Build method, it is easier for entrepreneurs to make changes to the existing business for improvements because the existing business can serve as a reference for comparison.

Buying Existing Business Disadvantages

Great Caution Required in Selecting Business — Some business sellers may deliberately conceal their debts and hold back customers’ prepayments. Or they may leave a number of tasks - such as fixing toilet leakages, repairing worn-out air-conditioners, paying tax and contributing to employees’ MPF accounts – unfinished. The uncompleted issues will become burdens for the new buyers. If the buyer wants to avoid these uncompleted issues, he has to spend, in general, one week – or at least two to three full days – at the business he intends to buy for a comprehensive understanding of the business. Generally speaking, there are not many well-performing existing businesses available for sale in the market. The more a business is attractive to buyers, the more difficult it is to be found in the market.



Starting Business from Scratch Advantages

Suitable for Creative and Adventurous People — This is the most flexible and freest method to start business. As the entrepreneur has complete control over the business, it fits people who are creative and adventurous, giving them a great sense of satisfaction and success. For products which have not existed in the market, entrepreneurs can try this method to introduce them to the market, become the only product supplier or service provider, and attract the market's first customers. However, they have to maintain their 'freshness' so as to keep customers with them in the long run – those which are 'first' or 'unique' in the market are easily replicated by other merchants.

Starting Business from Scratch Disadvantages

The Entrepreneur is Responsible for Everything Involved in Business — The entrepreneur has to take care of all basic issues including finding an appropriate shop, liaising with the property owner, internal renovation, permit applications and legal documents. Then the entrepreneur has to prepare a series of market promotion campaigns and formulate strategies to attract more customers. Besides, the business operational procedures, employee recruitment and price negotiations with suppliers all make burdens for new entrepreneurs.

High Failure Rate — This startup method has the highest failure rate among the three startup methods. Even though the entrepreneur can enjoy free play, he usually has to take account of many issues at the same time. If the entrepreneur is inexperienced, he may be forced to exit the business by difficulties or setbacks.

In conclusion, the three entrepreneurial models have their own pros and cons. From my experience and observations, around 70 percent of entrepreneurs start their business from scratch, while others franchise or buy existing businesses. Many people choose franchising as a stepping stone to entrepreneurship, or buy an existing business to learn how to run a business. After accumulating some experience, they will gradually establish their ideal businesses. Of course, an entrepreneur should evaluate which entrepreneurial model fits best before making any investment decision.

6.2 An Analysis of the Entrepreneurial Environment in Hong Kong

Under the impact of the global economic downturn, many people in Hong Kong lost a large part of their wealth; enterprises implemented substantial layoff plans, and high-salary employees were hit by their companies' cost-saving, layoff and salary-cut plans. In a chain reaction, every sector and industry was adversely affected and consumers became pessimistic about their prospects, resulting in a drop in demand. This environment prompted people to buy much more inexpensive and durable products because of their

weaker buying power. They dined in 'tea restaurants' instead of the high-end ones as they might have frequented previously. Facing poor economic conditions, they first cut their expenses on haute couture fashion or luxury goods, which they might simply have bought without hesitation previously. Such an economic environment in 2009 made it suitable to start business for the mass market, such as those 'tea restaurants', snacks shops, sweet soup shops and floral shops – the rents were relatively lower; consumers had greater demands for these products and services, and the amount of initial investment capital was limited. These were indeed good choices for people to kick start entrepreneurship.

Be Prepared for Rising Consumer Prices

Since the financial turmoil, entrepreneurs have not been able to start or run a business based on the hope that consumer prices will drop as people become poorer. The soaring rents have pushed up a business' operating costs, causing price hike pressures for mass market products and services. At the same time, the rising real estate and stock markets have stimulated economic activities. People's incomes have gradually risen and with their purchasing power, making them more attracted to high-end products and services. So people who are considering starting a business should choose industries which are less rent-sensitive. They should also emphasize brand establishment so that their businesses will be able to excel in market competition and maintain higher profits.

Choose Industries of Low Rent Sensitivity

Today is a time when property prices continuously rise. So do shop rents. Yet the overall economy lags behind the increase in rental costs, and people are still not in a high purchasing mood. This adds extra burdens to those entrepreneurs in industries of high rent sensitivity, for instance, floral shops, convenient stores, "tea restaurants" and boutiques. Due to their business natures, they require good locations of high pedestrian flow to bring in more business, despite the fact that each transaction involves only a small amount of money. Therefore, it is a must for these shops to be located in prosperous districts where rents can be as high as several hundred thousand dollars.

Hence those who want to start up a retail business for the first time should be aware of problem of paying high rents from the very beginning. The rent can be more than 30 percent of the turnover and directly lowers the profit, a real handicap for people just starting out in the retail industry. To address this problem, it is a reasonable option to open your business a café, comic bookstore, learning centre, or online shop in an upstairs location rather their facing a street or mall concourse. Particularly in the case of online shops, its minimal rental costs allow for the greatest profits, yet attention has to be paid to the higher expenses on advertisements to attract more people to visit your website.



Attract Customers with High-Quality Products, High-End Brands and Great Creativity

Under the influence of rising property prices, the Hong Kong economy has bounced off the bottom. The economy is recovering, large enterprises' turnover has stabilized; and employees' salaries are likely to rise as their companies show a turn from loss to profit. Therefore, entrepreneurs may consider establishing their own brands to highlight their uniqueness in the market in order to appeal to consumers of increasing purchasing power. When consumers are in a higher buying mood, they are more willing to buy high-quality and high-class products. So it is easier to attract them to buy your products or services. You can also try to enhance customers' interest in buying with some creative ideas – because they have a greater purchasing power, they also tend to try different new products.

Retail Industry to Benefit from Increase of Travellers from Mainland China

As the Government of Hong Kong is putting in great efforts to promote tourism, and China's economy is strongly developing, it is expected that more and more people from mainland China will visit and spend money in Hong Kong. With a very high purchasing power, they are willing to buy high-quality products in Hong Kong, including electronic products like mobile phones, electrical appliances, babies' products, and even Hong Kong's local food. Entrepreneurs may consider entering these industries for a higher chance of success. In order to compete against foreign brands, local entrepreneurs have to add domestic elements and Hong Kong features to their business and commodities. In this way, tourists can differentiate local products from Chinese-made ones. Most tourists have a love for local products and they do not mind paying more to buy Hong Kong-branded products. In addition, mainland people prefer to buy high-end products – such as branded fashion and jewellery – in Hong Kong as it gives them a greater sense of protection. This in turn creates business opportunities for local entrepreneurs. For instance, an entrepreneur can sell fashion items which they buy from Europe, or European-branded items they distribute in Hong Kong as agent, in shops located not far from tourists' areas. This is also appealing to mainland travellers.

Education Industry a Strength

Following the launch of the 3-3-4 Academic Reform, Hong Kong students will be issued qualifications which are more aligned to international practices. The Government of Hong Kong will also put in efforts to attract students from mainland China and abroad to study in Hong Kong, which will consolidate Hong Kong's position as an education hub and be in line with China's future national development. In the face of these new developments in the education sector, it is necessary for local students to continuously add values to themselves and enhance their self-competitiveness. Understanding this, most parents are investing more and more on their children's education, especially amid the present economic recovery. This leads to great prospects for learning centres. Of course, as consumers, parents pay greater attention to the quality of learning centres than they did before. But if an entrepreneur can build up a good brand and improve the quality of both her teachers and course curricula, parents will be willing to spend more to ensure their

children receive the best education. For opening learning centres, it is not necessary to choose prosperous districts or ground floor shops. Instead, shops in shopping centres, or commercial and residential flats are good enough for the intended purpose while being less sensitive to rents.

In conclusion, entrepreneurs should pay special attention to rents while choosing a shop for their businesses. They should try to maintain their rents at a level less than 30 percent of the turnover so that both the investment return and set-up periods can be shortened. In addition, in an environment of gradual economic recovery, customers are becoming more concerned about the quality, rather than price, of a product. Therefore, entrepreneurs have to strive to improve the quality of their products and services, establish their own brands and grasp the preferences of mainland people coming to spend in Hong Kong. In this way, I believe you can lead your business to break free from the competition.

6.3 Ten Reasons for Entrepreneurial Failures

In 2009, HKBI conducted a questionnaire survey to investigate the entrepreneurial intention of retail service entrepreneurs who enquired about buying a business and who bought an established business through HKBI. According to the survey, out of every 10 entrepreneurs, seven succeed in maintaining their business while the remaining three fail to do so for whatever reasons. The failure rate of entrepreneurs who start a business from scratch is especially high compared to those who buy an established business or who begin with a franchise business. Why do they fail? Here is an analysis of the common reasons for entrepreneurial failures.

1. Entrepreneurs Lack Market Knowledge while Developing Creative Ideas

Some entrepreneurs spend a lot of effort in product research hoping to attract more customers by coming up with a product or service which is first to be launched in Hong Kong, unique and innovative. I have noticed that there are some themed restaurants or cafés which are exceptionally creative. Yet the entrepreneur often ignores customers' other practical requirements, such as food quality, staff's services, restaurant location, and the presence of competitors in the neighbourhood. It is true that creativity is necessary to win market share. However, it is important to bear in mind that the lifespan of a creative product or service is usually short. In the long term, more efforts should be put in building a good business foundation, which is an important key to retain customers.

2. Entrepreneurs Should Avoid Mixing Up Interest and Business

Some entrepreneurs begin a business out of their own interest in a particular industry. I know an entrepreneur who loves to be with children. She opened a learning centre so she could earn money from her interest. Because it is her interest to be with children, she allows children to stay in her learning centre for a longer



time free of charge, and they can come to ask her questions on their homework at any time. This occupies the time she could otherwise use to handle the business, which directly delays business development. It is also easy for an entrepreneur to become a perfectionist if he establishes because of his interest. He may want everything to happen in a way close to his expectations. However, this can be a major cause of failure as such a perfectionist attitude hinders business growth.

3. Ignoring Competitors' Responses

Some entrepreneurs are too focused on their own business. Sometimes they are not aware of competitors' marketing strategies and business development, resulting in a gradual loss of customers. One of my acquaintances is an owner of a beverage and snack shop which mainly sells traditional Chinese cakes and fruit juice of ordinary quality. Without much change on the products, the shop enjoyed a stable customer base until two beverage and snack shops on the same street made a shift to sell Taiwanese-style pearl milk tea and other characteristic beverages and snacks. With their new products, these two shops not only kept their existing customers but also attracted new ones. Facing competitors' strategic changes, the owner of the Chinese cake and fruit juice shop took no risk to change but maintained his own old way. In the end, customers turned to buy from the two new-style shops and the Chinese cake and fruit juice shop suffered a drastic drop in sales.

As a matter of fact, entrepreneurs should always be alert of the market situation. Business owners should never be satisfied with what it is now. Instead, they should be aware of any new market movements so as to minimize and react right to the impacts brought by any strategic change of competitors. A business which keeps unchanged all the time will never excel in the market.

4. Underestimating the Amount of Investment Capital Required

In the course of entrepreneurship, everyone has to undergo four stages: entrepreneurial stage, early stage, investment return stage and mature stage. Generally speaking, it is easy for entrepreneurs to estimate the entrepreneurial costs including the costs of renovation, goods and equipment. However, when a company enters its early stage, the business remains unstable while there are fixed expenses to pay. It is the most difficult time to have good control of expenses. In general, we suggest entrepreneurs in the early stage reserve three to six months of cash flow so as to avoid problems arising from failures in getting timely financing.

5. Entrepreneurs Lack Product or Service Selling Skills

In a Chinese society, the business owner usually puts a greater focus on management than on selling techniques. However, no matter how much time you spend on perfecting your products or services, or how you manage your team, if you, as a business owner, do not know how to market your products, customers will never realize how good your products or services are. Sometimes, business owners with good selling

skills can make ordinary products or services appealing to customers. This is why a successful entrepreneur is generally recognized as an outstanding salesperson who also possesses an extensive interpersonal network and an all-rounded personality. She is not afraid of being rejected by other people. She is tough in facing up to challenges, does not give up easily, and sees acquiring more customers and income as her business goal. This is the way to succeed as a business owner.

6. Unclear Business Positioning

In the market, it is never difficult to find businesses without clear business positioning. They fail to leave customers a deep impression. For instance, I saw a fruit juice shop which sold everything it could, ranging from Chinese cakes, Taiwanese-style pearl milk tea, sweet soup and a variety of other snacks. To differentiate your shop from others, it is the most important to make it clear what are your specialty products are, and what are your secondary are. If your shop majors in selling hamburgers, you'd better not promote the other food, say fried chicken and ice-cream, strongly. Do not confuse your positioning.

7. Lack of Customer-Oriented

Some entrepreneurs care about what products they want to sell but overlook the needs of customers. For example, there are designers who insist to sell products or services that they like. However, because of a lack of variety, they cannot satisfy customers' needs for other products or services and their business is directly affected.

8. Entrepreneurs Lack Decisiveness and are Easily Affected by Other People

There are times when your relatives and friends give you some ideas or comments on your business. Sometimes they do not fully understand the reasons behind your decisions. Therefore you should not be affected by other people's opinions but stand firm with your own decisions.

9. Entrepreneurs Care Too Much About Money and Do Not Spend to Buy More Business

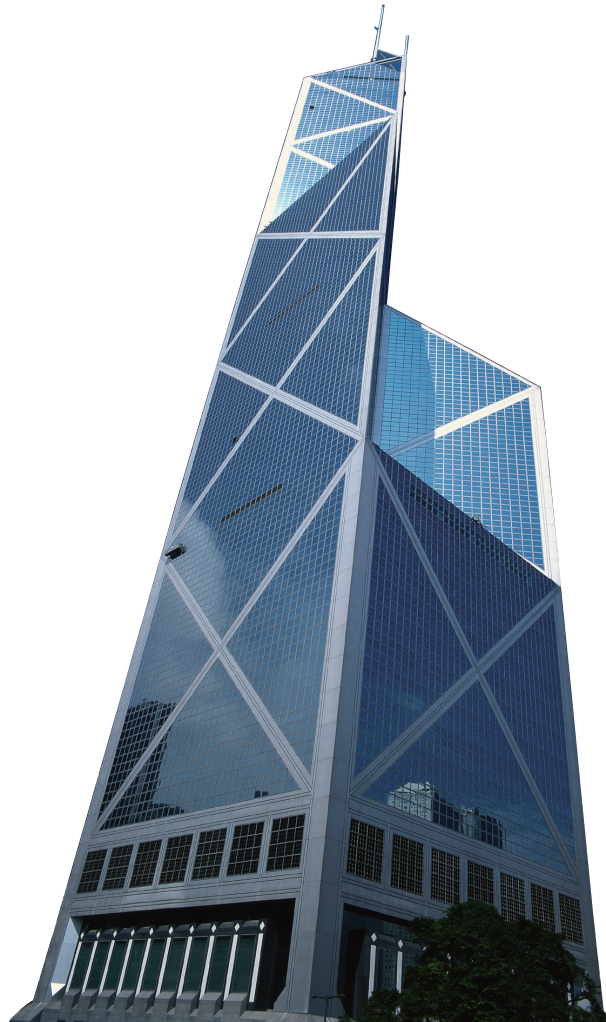
Some entrepreneurs are too cautious about money. They do not realize that failing to maintain a good relationship with suppliers may greatly reduce the opportunity to do business. As far as I observe, some small news stands pay more money to distributors so they can receive their newspaper first, increase their customers and earn profits.

10. Business Owner Has a Higher IQ than EQ

Entrepreneurs are full of good business ideas and marketing strategies. Some of them may also be very emotional and have high expectations for their businesses. When their expectations results are not met, they become very disappointed. And the higher the expectations, the greater the disappointment will be. Employees are more willing to work for employers of pleasant personality. If the employer always wears a

sad face, her employees will definitely feel greater pressure, which will inevitably hinder them from assisting the employer to further develop the business.

In conclusion, many entrepreneurs give up their dream of entrepreneurship for the reasons discussed above. Please note: only if you are willing to spend the time and effort on your own business will you succeed one day.



Appendix 1: Methodology

A1.1 How GEM determines Levels of Entrepreneurship

The following is an excerpt from the GEM 2009 Executive Report (Bosma and Levie (2010)) page 13

GEM takes a broad view of entrepreneurship and focuses on the role played by individuals in the entrepreneurial process. Unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behavior of individuals with respect to starting and managing a business. This differentiates GEM data from other data sets, most of which record firm-level data on (new) firm registrations..... New firms are, most often, started by individuals. Even in established organizations, entrepreneurial attitudes, activities, and aspirations differ in each individual.

Another guiding principle of GEM research is that entrepreneurship is a process. Therefore GEM observes the actions of entrepreneurs who are at different stages of the process of creating and sustaining a business. For GEM, the payment of any wages for more than three months to anybody, including the owners, is considered to be the “birth event” of actual businesses. Individuals who are actively committing resources to start a business that they expect to own themselves, but who have not reached this “birth event” are labeled nascent entrepreneurs.

Individuals who currently own and manage a new business that has paid salaries for more than three months but not more than 42 months are known as new business owner-managers. The cut-off point of 42 months has been made on a combination of theoretical and operational grounds³³. The prevalence rate of nascent entrepreneurs and new business owner-managers taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. It represents dynamic new firm activity—the extent of experimentation in new business models by a national population³⁴.

Established business owners own and manage an established business that has been in operation for more than 42 months. Their businesses have survived the liability of newness. High rates of established business

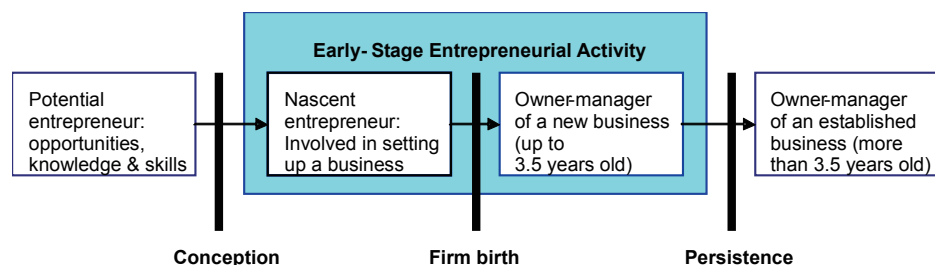
³³ Most new businesses do not survive beyond three or four years. This is the main rationale for the choice of 42 months as the cut-off period. However, the choice of 42 months also reflects operational issues. According to Reynolds et al. (2005), “The relevant interview question asked only the year when salary and wage payments were initiated and most surveys occurred in the summer months; so the alternatives for choosing a “new firm age” were 1.5 years, 2.5 years, 3.5 years, etc. The shortest time frame that would provide enough cases for stable prevalence rates with a total sample of 2,000 seemed to occur at 3.5 years. Conceptually, any time period under five years seemed satisfactory so this age was considered an appropriate trade-off between conceptual and operational considerations in the early years of the project. There has been no compelling reason to adjust this criteria and a desire for a stable time series has led to its continued use. It should be considered a procedure to capture existing firms less than three or four years old.”

³⁴ In previous GEM studies, Early-Stage Entrepreneurial Activity was referred to as Total Entrepreneurial Activity (TEA). Starting in 2007, GEM has changed the name to reflect the fact the Early-Stage Entrepreneurial Activity index does not reflect the totality of entrepreneurship.

ownership may indicate positive conditions for firm survival. However, this is not necessarily the case. If a country exhibits a high degree of established entrepreneurship combined with low degree of early-stage entrepreneurial activity, this indicates a low level of dynamism in entrepreneurial activity.

Finally, GEM identifies individuals who have discontinued a business in the last 12 months. These individuals may enter the entrepreneurial process again. Figure A1 summarizes the entrepreneurial process and GEM's operational definitions. The GEM 2009 Global Executive Report includes 54 countries across the globe. In each of these 54 countries, a survey was conducted among a representative sample of at least 2,000 adults. More than 180,000 adults were interviewed between May and October (outside holiday seasons) and answered questions on their attitudes toward and involvement in entrepreneurial activity.

Figure A1: The Entrepreneurial Process and GEM Operational Definitions



For GEM, the payment of any wages for more than three months to anybody, including the owners, is considered to be the "birth event" of actual businesses. Thus, the distinction between nascent entrepreneurs and new business owners depends on the age of the business. Businesses that have paid salaries and wages for more than three months and less than 42 months may be considered new. The prevalence rate of nascent entrepreneurs and new business owners taken together may be viewed as an indicator of early-stage entrepreneurial activity in a country. It represents dynamic new firm activity. Even if a fair share of nascent entrepreneurs do not succeed in getting the business started, their actions may have a beneficial effect on the economy since the threat of entry and of new competition can put pressure on incumbent firms to perform better.

Appendix 2: Detailed Tables and Figures (All GEM Members)

A2.1 Entrepreneurial Activity in 2009

Country / Region	1 Nascent Entrepreneurial Activity (percentage)	2 New-Business Owner-Managers (percentage)	3 Early-Stage Entrepreneurial Activity (percentage)	4 Established Business Owner-Managers (percentage)	5 Overall Entrepreneurial Activity (percentage)
China	7.4	11.8	18.8	17.2	35.7
Hong Kong	1.6	2.2	3.6	2.9	6.5
Shenzhen	2.2	2.6	4.8	1.6	6.3
Innovation-Driven Economies					
Belgium	2.0	1.6	3.5	2.5	6.0
Denmark	1.7	2.0	3.6	4.7	8.3
Finland	2.9	2.3	5.2	8.5	13.6
France	3.1	1.4	4.4	3.2	7.2
Germany	2.2	2.1	4.1	5.2	9.1
Greece	4.5	4.7	8.8	15.1	23.6
Iceland	7.6	4.3	11.5	8.9	19.7
Israel	3.4	2.7	6.1	4.3	10.2
Italy	1.8	1.9	3.7	5.8	9.5
Japan	1.9	1.3	3.3	7.8	10.5
Korea	2.7	4.4	7.0	11.8	18.6
Netherlands	3.1	4.1	7.2	8.1	14.8
Norway	5.0	3.9	8.5	8.3	16.2
Slovenia	3.2	2.1	5.4	5.7	10.8
Spain	2.3	2.8	5.1	6.4	11.4
Switzerland	4.3	3.5	7.7	8.4	16.0
United Kingdom	2.7	3.2	5.7	6.1	11.7
United Arab Emirates	6.5	7.4	13.3	5.7	18.3
United States	4.9	3.2	8.0	5.9	13.7
Efficiency-Driven Economies					
Argentina	6.1	9.3	14.7	13.5	27.8
Bosnia and Herzegovina	3.1	1.3	4.4	3.9	8.3
Brazil	5.8	9.8	15.3	11.8	26.9
Chile	9.6	5.6	14.9	6.7	20.8
Colombia	15.0	8.0	22.4	12.6	33.8
Croatia	3.5	2.2	5.6	4.8	10.3
Dominican Republic	8.8	9.2	17.5	11.4	27.7
Ecuador	6.3	9.7	15.8	16.1	31.2
Hungary	5.5	3.7	9.1	6.7	15.8
Iran	8.3	4.1	12.1	6.5	17.5
Jordan	5.9	4.9	10.2	5.3	15.2
Latvia	5.3	5.4	10.5	9.0	19.4
Malaysia	1.7	2.7	4.4	4.3	8.4
Panama	6.2	3.5	9.6	4.2	13.7
Peru	16.2	5.1	20.9	7.5	28.1
Romania	2.8	2.3	5.0	3.4	7.9

Country / Region	1 Nascent Entrepreneurial Activity (percentage)	2 New-Business Owner-Managers (percentage)	3 Early-Stage Entrepreneurial Activity (percentage)	4 Established Business Owner-Managers (percentage)	5 Overall Entrepreneurial Activity (percentage)
Russia	1.8	2.3	3.9	2.3	6.0
Serbia	2.2	2.8	4.9	10.1	14.9
South Africa	3.6	2.5	5.9	1.4	7.2
Tunisia	2.2	7.2	9.4	10.2	19.6
Uruguay	8.1	4.2	12.2	6.0	17.9
Factor-Driven Economies					
Algeria	11.3	5.6	16.7	4.7	21.2
Guatemala	14.8	12.6	25.1	4.2	27.8
Jamaica	13.0	10.6	22.7	16.3	37.9
Lebanon	6.7	8.8	15.0	16.0	30.2
Morocco	25.7	19.6	43.7	26.6	67.0
Saudi Arabia	2.9	1.9	4.7	4.1	8.4
Syria	3.4	5.1	8.5	6.7	14.9
Tonga	6.5	11.1	17.4	2.3	19.5
Uganda	12.4	22.7	33.7	22.0	53.5
Venezuela	13.3	5.4	18.7	6.5	24.9
West Bank & Gaza Strip	3.0	5.9	8.6	6.9	15.0
Yemen	22.9	1.2	24.0	2.9	26.7

Note: Early Stage Entrepreneurial Activity (column 1) is the percentage of the adult population that has started a firm in the last 3.5 years. Early stage entrepreneurs can be either nascent entrepreneurs (column 2) or new business owner managers (column 3) or both.

Nascent Entrepreneurial Activity (column 2) is the percentage of the adult population that has committed substantial resources to starting a firm but where that firm has yet to pay wages for more than 3 months.

New Business Owner Managers (column 3) is the percentage of the adult population that has started a firm not more than 3.5 years old where the firm has already paid wages for more than 3 months.

Established Business Owner Managers (column 4) is the percentage of the adult population that owns and manage an established business that has been in operation for more than 42 months.

Overall Entrepreneurial Activity (column 5) is the percent of the adult population that is either an early stage entrepreneur (column 1) or an established business owner (column 4) or both.

The statistics in columns 1 through 5 were sourced from random telephone sampling, with the number of completed calls per region being given in column 6.

The statistics in columns 1 through 5 are estimates of the true proportion of the population involved in entrepreneurship and hence subject to error. For example, we can be 95 percent confident that between 17.53 percent and 20.07 percent of China's adult population, from 2.78 percent to 4.42 percent of Hong Kong's adult population and from 3.86 percent to 5.74 percent of Shenzhen's adult population are involved in early stage entrepreneurial activity. Similar confidence intervals apply to other statistics in this and following tables.

Column 1 is no more than the sum of columns 2 and 3 and may be less if survey respondents are both Nascent Entrepreneurs and New Business Owners. Similarly, column 5 is no more than the sum of columns 1 and 4 but may be less if respondents have established businesses and, at the same time, are starting new ones.

The above countries are arranged in accordance with Porter's typology of "factor-driven economies", "efficiency-driven economies" and "innovation-driven economies" (Porter et al, (2002)) and used in the World Economic Forum's annual Global Competitiveness Report (see for example Schwab (2009)). Countries are arranged by market value gross domestic product and with categorization as follows:

Stage development	GDP per Capita (in USD\$)
Stage 1: Factor driven	<2000
Transition from Stage 1 to Stage 2	2000 – 3000
Stage 2: Efficiency driven	3000 – 9000
Transition from Stage 2 to Stage 3	9000 – 17000
Stage 3: Innovation driven	>17000

Source: Global Competitiveness Report (Schwab 2009) page 24

In addition countries with mineral exports more than 70 percent of total exports are also classified as "factor driven" regardless of GDP per capita. According to this typology, Hong Kong is a developed, innovation driven economy while China is an efficiency driven economy. Shenzhen is an efficiency driven economy in transition to becoming an innovation driven economy.

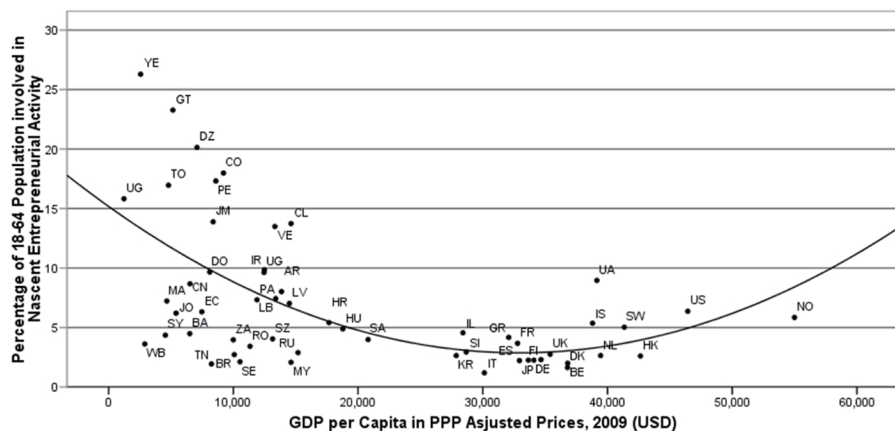


A2.2 Measures of Entrepreneurship in 2009 as a Function of Real GDP Per Capita

The following figures show various GEM measures of entrepreneurship plotted against real GDP per capita.

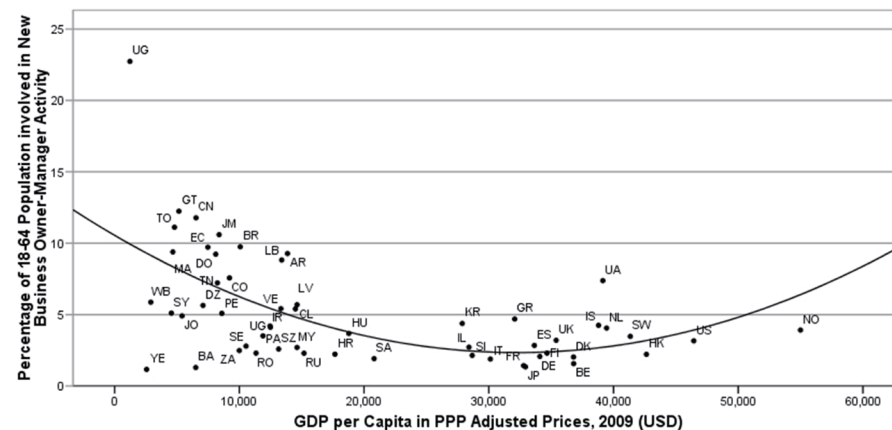
Note: AE=United Arab Emirates; AR=Argentina; BA=Bosnia and Herzegovina; BE=Belgium; BR=Brazil; CL=Chile; CN=China; CO=Columbia; DE=Germany; DK=Denmark; DO=Dominican Republic; DZ=Algeria; EC=Ecuador; ES=Spain; FI=Finland; FR=France; GR=Greece; GT=Guatemala; HK=Hong Kong; HR=Croatia; HU=Hungary; IL=Israel; IR=Iran; IS=Iceland; IT=Italy; JM=Jamaica; JO=Jordan; JP=Japan; KR=Korea; LB=Lebanon; LV=Latvia; MA=Morocco; MY=Malaysia; NL=Netherlands; NO=Norway; PA=Panama; PE=Peru; RO=Romania; RU=Russia; SA=Saudi Arabia; SI=Slovenia; SW=Switzerland; SY=Syria; TN=Tunisia; TO=Tonga; UG=Uganda; UK=United Kingdom; US=United States; UY=Uruguay; VE=Venezuela; YE=Yemen; YU=Serbia; ZA=South Africa

a. Nascent Entrepreneurial Activity as a Function of GDP per Capita in 2009



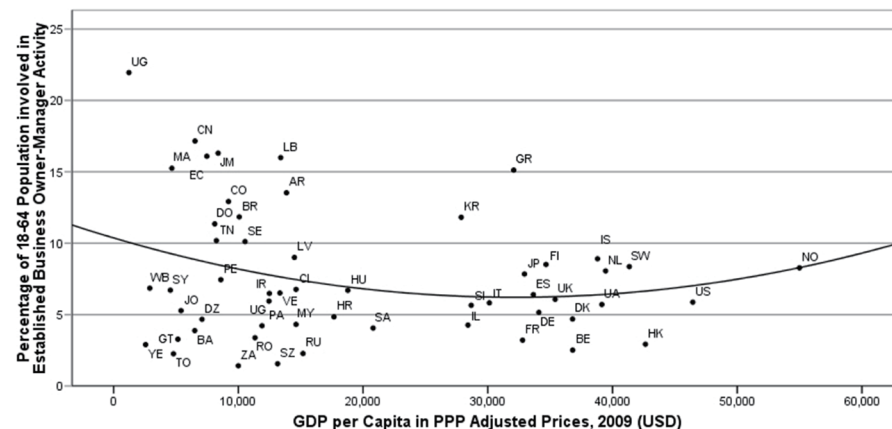
Nascent entrepreneurial activity is the percentage of the adult population who have committed substantial resources to starting up a new venture but who have not paid wages continuously for more than three months.

b. New Business Owner-Manager Activity as a Function of GDP per Capita in 2009

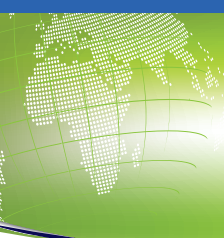


New Business Owner-Manager Activity is the percentage of the adult population who have committed substantial resources to starting up a new venture but who have not paid wages continuously for more than three months.

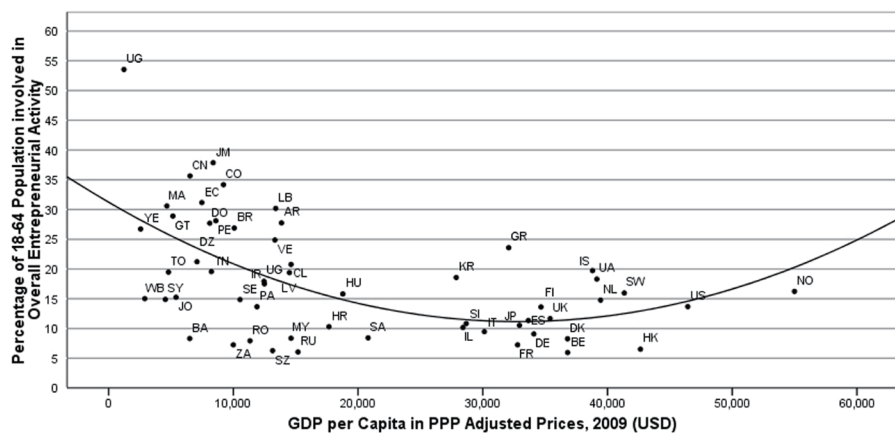
c. Established Business Owner-Manager Activity as a Function of GDP per Capita in 2009



Established business owner managers own businesses that have paid wages for more than 3.5 years.



d. Overall Entrepreneurial Activity as a Function of GDP per Capita in 2009



A2.3 Entrepreneurial Attitudes in 2009

Country / Region	Percentage of Respondents Answering "Yes"						
	Good opportunities for starting a business (percentage)	Have knowledge and skill and experience required to starting a new business (percentage)	Fear of failure would prevent from starting a business (percentage)	Prefer everyone should have same standard of living (percentage)	Consider starting a new business is a desirable career choice (percentage)	Think that successful business have a high level of status and respect (percentage)	Often see stories in the public media about successful new business (percentage)
Innovation-Driven Economies							
Belgium	13-16	35-38	24-27	56-59	44-47	48-51	31-34
Denmark	32-36	33-37	40-45	51-55	45-49	73-77	24-27
Finland	38-42	33-37	30-34	66-70	43-47	87-90	66-70
France	22-26	25-29	48-51	58-63	63-67	67-72	47-52
Germany	21-23	39-41	44-47	59-61	52-55	74-76	48-51
Greece	25-28	56-60	52-56	61-65	64-68	66-70	29-34
Hong Kong	13-16	17-21	29-33	44-48	43-47	53-57	64-68
Iceland	42-47	47-52	35-39	64-68	49-53	60-64	69-74
Israel	27-31	36-40	41-46	46-51	59-64	71-75	48-51
Italy	23-26	39-43	48-51	69-72	70-73	68-71	43-46
Japan	7-9	12-15	32-37	46-51	26-30	47-52	59-64
Korea	11-14	51-55	33-37	60-64	63-67	63-67	51-55
Netherlands	34-38	45-50	25-28	57-62	82-85	65-69	62-66
Norway	46-51	42-46	24-29	67-71	60-65	67-72	64-69
Slovenia	28-31	50-54	34-37	82-84	54-58	76-79	55-59
Spain	16-17	47-48	53-54	59-60	62-64	54-55	36-38
Switzerland	33-37	46-51	32-37	49-51	63-68	82-86	54-59

Country / Region	Percentage of Respondents Answering "Yes"						
	Good opportunities for starting a business (percentage)	Have knowledge and skill and experience required to starting a new business (percentage)	Fear of failure would prevent from starting a business (percentage)	Prefer everyone should have same standard of living (percentage)	Consider starting a new business is a desirable career choice (percentage)	Think that successful business have a high level of status and respect (percentage)	Often see stories in the public media about successful new business (percentage)
UK	22-26	45-49	34-37	73-78	45-50	72-75	42-47
United Arab Emirates	45-49	67-69	31-32	49-51	69-70	75-76	68-69
United States	27-30	54-58	31-34	44-47	64-68	74-77	65-68
Efficiency-Driven Economies							
Argentina	42-46	63-67	40-45	73-78	66-70	74-78	78-82
Bosnia and Herzegovina	33-37	55-59	33-37	74-78	71-75	55-59	48-53
Brazil	45-49	51-55	31-35	73-77	79-83	78-82	75-79
Chile	51-54	64-67	28-31	51-54	86-88	68-71	46-49
China	24-27	34-37	31-34	40-43	65-68	76-79	77-80
Colombia	48-53	62-67	31-35	74-78	89-92	72-76	80-83
Croatia	35-39	57-61	43-48	79-83	66-70	47-51	51-55
Dominican Republic	47-52	76-80	31-35	71-75	91-93	86-89	59-63
Ecuador	42-47	71-75	35-39	79-82	76-80	71-74	53-57
Hungary	2-4	39-43	34-39	66-70	40-44	70-74	30-34
Iran	29-32	56-60	30-33	47-51	55-58	77-79	59-63
Jordan	42-46	55-59	37-42	47-51	79-82	82-86	68-72
Latvia	16-20	47-52	36-40	70-74	56-61	63-68	48-53
Malaysia	42-47	32-36	47-52	58-62	57-61	69-73	78-82
Panama	42-47	60-65	21-25	61-65	72-76	65-69	48-53
Peru	59-63	72-76	34-38	82-85	86-89	73-77	83-87
Romania	12-15	25-29	48-53	47-52	55-59	65-69	45-50
Russia	15-19	22-26	47-52	52-56	58-62	61-65	39-44
Serbia	27-31	70-74	27-31	81-84	67-71	54-59	53-58
Shenzhen	29-33	26-30	27-31	39-43	45-49	52-57	62-66
South Africa	34-37	34-37	26-29	51-54	62-65	62-66	62-66
Tunisia	13-16	38-42	22-25	64-68	86-89	93-95	68-72
Uruguay	44-49	66-70	32-36	74-78	63-68	69-74	60-65
Factor-Driven Economies							
Algeria	46-51	50-54	25-29	38-43	55-59	56-60	37-41
Guatemala	56-60	61-65	31-35	52-56	71-75	67-71	61-65
Jamaica	40-45	75-79	27-31	56-60	74-78	75-79	72-76
Lebanon	52-56	75-79	24-28	66-70	83-87	77-81	63-67
Morocco	48-53	72-77	25-28	50-55	81-85	85-89	71-75
Saudi Arabia	67-72	70-75	41-46	38-43	78-82	88-91	76-80
Syria	52-56	60-64	19-22	49-54	87-90	88-91	53-57
Tonga	53-59	50-56	64-70	72-78	89-92	49-55	77-82
Uganda	72-76	83-86	28-32	59-64	80-83	83-86	73-76
Venezuela	46-51	57-62	26-31	67-71	74-78	67-71	47-52
West Bank & Gaza Strip	48-52	53-58	40-44	43-47	87-89	76-80	50-54
Yemen	13-16	61-66	41-45	96-98	94-96	97-98	95-97

Note: Ranges show the 95 percent confidence interval of the percent of population aged 18 to 64 agreeing with the statement.



A2.4 Entrepreneurs' Attitudes towards Starting a Business in 2009

Country / Region	Starting a business is more difficult than a year ago (percentage)		Growing a business is more difficult than a year ago (percentage)		Opportunities are fewer due to the Global Crisis (percentage)	
	Early Stage Entrepreneurs	Established Business	Early Stage Entrepreneurs	Established Business	Early Stage Entrepreneurs	Established Business
Innovation-Driven Economies						
Belgium	64	65	33	47	45	51
Denmark	69	88	46	45	47	51
Finland	33	48	41	43	36	40
France	45	79	23	28	43	66
Germany	63	69	51	59	42	57
Greece	69	75	48	62	56	70
Hong Kong	56	78	40	58	51	62
Iceland	80	84	43	64	49	60
Israel	65	72	38	43	48	63
Italy	66	72	36	49	68	74
Japan	45	75	23	54	36	52
Korea	64	80	48	67	55	61
Netherlands	48	73	22	40	43	44
Norway	39	51	29	39	32	41
Slovenia	38	36	32	48	43	51
Spain	71	85	49	68	69	79
Switzerland	50	58	43	41	39	44
UK	64	76	45	50	51	53
United Arab Emirates	56	69	47	58	41	27
United States	54	77	40	53	58	69
Efficiency-Driven Economies						
Argentina	69	81	39	53	60	68
Bosnia and Herzegovina	71	73	57	67	58	72
Brazil	58	62	26	43	47	56
Chile	62	69	31	41	61	67
China	63	64	29	38	49	53
Colombia	58	66	26	48	59	74
Croatia	66	71	52	49	62	60
Dominican Republic	60	67	43	58	53	65
Ecuador	67	78	25	35	69	73
Hungary	78	68	69	73	63	47
Iran	80	79	40	38	67	72
Jordan	64	69	44	64	46	64
Latvia	78	79	67	77	69	81
Malaysia	54	61	37	46	57	52
Panama	59	71	22	23	49	56
Peru	40	47	22	37	58	63
Romania	90	94	93	95	79	83
Russia	64	84	46	81	63	83
Serbia	80	83	53	67	60	69

Country / Region	Starting a business is more difficult than a year ago (percent)		Growing a business is more difficult than a year ago (percent)		Opportunities are fewer due to the Global Crisis (percent)	
	Early Stage Entrepreneurs	Established Business	Early Stage Entrepreneurs	Established Business	Early Stage Entrepreneurs	Established Business
Shenzhen	54	67	29	51	40	45
South Africa	57	66	47	47	32	31
Tunisia	48	56	17	31	51	64
Uruguay	43	65	20	39	50	56
Factor-Driven Economies						
Algeria	61	70	36	43	29	37
Guatemala	71	91	68	59	41	91
Jamaica	75	82	52	61	68	70
Lebanon	33	44	26	36	47	57
Morocco	52	56	43	41	45	39
Saudi Arabia	37	39	27	36	46	16
Syria	41	54	19	44	47	49
Tonga	36	42	27	39	81	89
Uganda	53	50	37	41	47	59
Venezuela	64	70	39	50	60	69
West Bank & Gaza Strip	55	73	43	54	62	72
Yemen	24	53	67	53	71	62

A2.5 Early-Stage Entrepreneurial Activity Prevalence Rates by Gender in 2009

Country / Region	Male (percentage)				Female (percentage)				Male Female Ratio
	Opportunity	Necessity	Opportunity Necessity Ratio	Total	Opportunity	Necessity	Opportunity Necessity Ratio	Total	
Innovation-Driven Economies									
Belgium	3.8	0.4	9.1	4.2	1.9	0.2	8.5	2.1	2.0
Denmark	4.1	0.4	10.9	4.5	2.2	0.1	15.4	2.3	2.0
Finland	4.4	1.3	3.3	5.7	3.3	0.7	5.0	4.0	1.4
France	5.6	1.0	5.8	6.5	1.2	0.2	5.3	1.4	4.5
Germany	2.8	1.4	2.0	4.2	2.2	1.2	1.9	3.4	1.3
Greece	8.7	2.7	3.2	11.4	4.1	1.9	2.2	6.0	1.9
Hong Kong	3.7	0.7	5.1	4.5	1.4	0.6	2.2	2.0	2.2
Iceland	12.2	1.6	7.5	13.8	6.1	0.7	8.7	6.8	2.0
Israel	5.4	2.2	2.5	7.5	2.8	0.9	3.3	3.7	2.0
Italy	4.6	0.7	6.4	5.3	1.3	0.4	3.7	1.7	3.2
Japan	3.3	1.6	2.1	4.9	1.1	0.4	3.0	1.4	3.4
Korea	5.5	4.7	1.2	10.2	1.8	1.5	1.2	3.4	3.0
Netherlands	5.5	1.0	5.8	6.5	4.5	0.5	8.3	5.0	1.3
Norway	11.1	0.9	13.0	11.9	3.4	0.7	4.9	4.1	2.9
Slovenia	7.1	0.7	9.6	7.9	2.2	0.3	8.0	2.5	3.1
Spain	5.1	0.9	5.5	6.1	3.0	0.7	4.5	3.7	1.6



Country / Region	Male (percentage)				Female (percentage)				Male Female Ratio
	Opportunity	Necessity	Opportunity Necessity Ratio	Total	Opportunity	Necessity	Opportunity Necessity Ratio	Total	
Switzerland	8.3	0.5	17.6	8.7	5.6	0.6	10.2	6.2	1.4
United Arab Emirates	14.2	1.3	11.4	15.5	5.4	0.9	6.2	6.3	2.5
United Kingdom	6.1	1.2	4.9	7.3	2.6	0.6	4.2	3.2	2.3
United States	6.7	2.6	2.6	9.3	4.3	1.1	3.9	5.4	1.7
Efficiency-Driven Economies									
Argentina	9.4	8.1	1.1	17.5	5.3	5.6	1.0	10.9	1.6
Bosnia and Herzegovina	4.2	1.6	2.6	5.9	1.1	1.8	0.6	3.0	2.0
Brazil	8.7	6.1	1.4	14.8	10.1	5.8	1.7	15.9	0.9
Chile	13.6	3.1	4.5	16.7	8.3	4.4	1.9	12.7	1.3
China	11.6	9.1	1.3	20.7	7.0	9.0	0.8	16.0	1.3
Colombia	17.3	7.9	2.2	25.2	11.9	7.2	1.7	19.1	1.3
Croatia	4.4	3.0	1.5	7.4	1.6	1.2	1.3	2.8	2.6
Dominican Republic	14.5	5.3	2.7	19.9	8.3	6.6	1.2	14.9	1.3
Ecuador	12.0	4.1	2.9	16.1	9.5	6.1	1.5	15.6	1.0
Hungary	8.5	3.1	2.7	11.6	4.6	1.4	3.4	6.0	1.9
Iran	9.1	5.9	1.5	15.0	4.6	1.9	2.4	6.5	2.3
Jordan	9.4	4.4	2.1	13.8	2.6	1.4	1.9	4.0	3.5
Latvia	9.0	4.5	2.0	13.5	5.1	2.2	2.3	7.3	1.8
Malaysia	3.8	1.2	3.2	5.0	2.7	1.0	2.6	3.7	1.4
Panama	8.7	2.3	3.8	11.0	5.8	2.3	2.6	8.1	1.4
Peru	17.9	5.3	3.3	23.2	11.6	6.3	1.8	18.0	1.3
Romania	3.6	2.6	1.4	6.2	1.9	0.8	2.3	2.8	2.2
Russia	3.3	1.1	3.1	4.4	2.0	1.2	1.7	3.1	1.4
Serbia	3.7	2.8	1.3	6.5	1.3	1.3	1.0	2.6	2.5
Shenzhen	5.2	1.2	4.3	6.4	2.2	0.8	2.9	3.0	2.1
South Africa	4.6	2.3	2.0	6.9	3.0	1.6	1.9	4.5	1.5
Tunisia	9.8	2.7	3.7	12.4	3.4	1.1	3.0	4.5	2.8
Uruguay	13.1	3.1	4.2	16.2	5.1	2.2	2.3	7.3	2.2
Factor-Driven Economies									
Algeria	15.0	3.1	4.8	18.1	9.3	3.0	3.1	12.4	1.5
Guatemala	15.0	7.7	1.9	22.7	20.6	4.9	4.2	25.5	0.9
Jamaica	18.5	7.4	2.5	25.9	11.3	7.7	1.5	19.0	1.4
Lebanon	15.4	3.7	4.1	19.1	7.9	1.7	4.7	9.6	2.0
Morocco	15.9	5.08	2.9	19.8	8.9	2.94	3.0	11.84	1.7
Saudi Arabia	6.7	1.0	6.7	7.7	0.7	0.0	-	0.7	10.8
Syria	8.1	5.1	1.6	13.2	2.0	1.1	1.8	3.1	4.2
Tonga	10.5	4.2	2.5	14.7	10.8	7.2	1.5	18.1	0.8
Uganda	23.0	14.7	1.6	37.7	14.4	15.4	0.9	29.9	1.3
Venezuela	14.1	5.3	2.7	19.4	10.9	6.8	1.6	17.7	1.1
West Bank & Gaza Strip	8.9	4.7	1.9	13.6	1.6	1.6	1.0	3.2	4.3
Yemen	15.8	10.3	1.5	26.0	11.0	6.3	1.8	17.3	1.5

A2.6 Industry Distribution in All GEM Countries 2009

Country / Region	Early-Stage Entrepreneurship (percentage)				Established Business (percentage)			
	Extractive	Transforming	Business Services	Consumer Services	Extractive	Transforming	Business Services	Consumer Services
Innovation-Driven Economies								
Belgium	6	21	39	35	7	20	31	42
Denmark	12	13	42	33	23	17	36	25
Finland	13	26	17	43	23	23	13	41
France	6	13	33	47	20	15	23	42
Germany	3	14	36	48	4	21	39	36
Greece	2	36	15	47	4	39	11	46
Hong Kong	0	14	15	72	0	36	9	55
Iceland	8	36	20	36	13	27	24	36
Israel	1	25	27	47	3	36	23	39
Italy	3	30	16	51	7	28	11	53
Japan	3	25	15	58	3	31	20	47
Korea	6	20	13	61	18	28	10	44
Netherlands	20	0	26	54	46	54	0	0
Norway	8	20	28	44	26	16	20	38
Slovenia	2	30	26	42	5	37	28	30
Spain	5	26	13	55	15	24	15	46
Switzerland	4	18	37	41	13	20	27	40
UK	4	19	34	43	7	22	32	39
United Arab Emirates	1	31	15	53	1	35	11	53
United States	5	24	29	42	13	26	27	35
Efficiency-Driven Economies								
Argentina	3	29	16	52	3	29	19	49
Bosnia and Herzegovina	32	21	3	44	36	21	7	36
Brazil	2	22	5	71	5	27	6	63
Chile	7	22	13	59	9	25	15	52
China	15	17	3	66	25	17	2	56
Colombia	7	26	14	53	10	38	11	41
Croatia	24	35	18	23	14	33	17	36
Dominican Republic	4	13	9	74	12	20	4	64
Ecuador	6	15	8	70	23	20	1	56
Hungary	4	15	27	53	7	22	26	45
Iran	9	17	18	56	2	33	15	50
Jordan	8	21	6	64	10	22	6	62
Latvia	11	27	14	48	22	28	17	33
Malaysia	11	13	10	67	7	15	1	78
Panama	-	-	-	-	-	-	-	-
Peru	9	25	4	62	13	37	7	42
Romania	8	23	22	47	4	22	7	67
Russia	4	31	5	61	6	33	9	53
Serbia	12	42	4	42	37	34	2	27



Country / Region	Early-Stage Entrepreneurship (percentage)				Established Business (percentage)			
	Extractive	Transforming	Business Services	Consumer Services	Extractive	Transforming	Business Services	Consumer Services
Shenzhen	0	27	14	59	0	27	4	69
South Africa	5	16	11	67	2	21	6	71
Tunisia	21	27	8	44	29	24	4	43
Uruguay	3	26	19	52	14	29	10	47
Factor-Driven Economies								
Algeria	1	19	10	70	0	24	9	68
Guatemala	3	20	1	75	16	4	1	78
Jamaica	13	15	5	66	24	17	5	54
Lebanon	1	18	11	69	1	25	6	69
Morocco	4	21	4	71	18	23	3	56
Saudi Arabia	1	18	12	70	2	8	27	63
Syria	8	18	10	64	14	30	8	48
Tonga	19	16	6	59	20	16	0	64
Uganda	29	15	1	55	56	11	0	32
Venezuela	3	13	11	73	0	16	16	68
West Bank & Gaza Strip	22	19	5	54	20	20	4	56
Yemen	21	7	17	55	7	23	8	62

A2.7 Market Impact of Early-stage Entrepreneurs and Established Business in 2009

Country / Region	Early-Stage Entrepreneurship (percentage)				Established Business (percentage)			
	No market expansion	Some market expansion, no new technology	Some market expansion, with new technology	Profound market expansion	No market expansion	Some market expansion, no new technology	Some market expansion, with new technology	Profound market expansion
Innovation-Driven Economies								
Belgium	49	29	19	3	68	18	13	2
Denmark	52	41	2	5	76	23	1	0
Finland	62	29	8	1	76	13	10	1
France	43	34	20	3	82	14	4	0
Germany	65	29	4	3	82	17	1	0
Greece	58	32	7	3	73	20	7	0
Hong Kong	62	24	11	3	71	29	0	0
Iceland	50	32	7	10	80	19	1	0
Israel	46	25	21	9	69	15	13	4
Italy	63	32	3	1	80	16	5	0
Japan	49	32	17	1	81	19	0	0
Korea	59	34	6	1	71	28	1	0
Netherlands	53	41	5	1	83	16	1	0
Norway	55	35	5	5	77	21	1	0

Country / Region	Early-Stage Entrepreneurship (percentage)				Established Business (percentage)			
	No market expansion	Some market expansion, no new technology	Some market expansion, with new technology	Profound market expansion	No market expansion	Some market expansion, no new technology	Some market expansion, with new technology	Profound market expansion
Slovenia	58	32	7	4	73	23	3	2
Spain	58	27	11	4	75	16	8	1
Switzerland	59	32	5	4	85	14	1	0
UK	65	29	4	2	82	18	0	0
United Arab Emirates	38	43	17	2	57	37	4	2
United States	68	28	3	1	83	17	0	0
Efficiency-Driven Economies								
Argentina	46	46	5	4	54	44	1	0
Bosnia and Herzegovina	62	13	23	1	72	17	11	0
Brazil	73	20	6	0	76	18	6	0
Chile	22	66	7	4	39	55	3	2
China	59	31	10	1	68	31	1	0
Colombia	52	38	8	2	77	22	1	1
Croatia	59	21	16	5	70	14	14	2
Dominican Republic	60	30	8	2	72	24	4	0
Ecuador	79	17	4	0	90	10	0	0
Hungary	78	18	2	2	89	6	5	0
Iran	57	31	5	8	80	19	1	0
Jordan	54	27	17	2	72	17	11	0
Latvia	66	30	3	1	78	22	1	0
Malaysia	66	24	9	0	87	12	2	0
Panama	61	31	7	2	72	24	4	0
Peru	40	51	5	4	67	31	1	0
Romania	72	18	9	1	89	10	1	0
Russia	59	37	4	0	78	20	2	0
Serbia	47	41	10	2	77	18	5	0
Shenzhen	60	31	9	0	81	19	0	0
South Africa	38	40	17	5	54	30	11	5
Tunisia	72	20	6	2	85	10	5	0
Uruguay	46	45	7	2	62	31	6	2
Factor-Driven Economies								
Algeria	45	25	27	3	48	19	33	0
Guatemala	69	29	1	0	87	10	3	0
Jamaica	73	18	8	1	84	14	1	0
Lebanon	59	25	15	1	66	20	12	2
Morocco	70	18	11	0	85	12	3	0
Saudi Arabia	28	43	18	11	44	42	13	1
Syria	53	41	4	1	67	33	1	0
Tonga	24	45	27	4	34	38	28	0
Uganda	80	14	6	1	86	9	4	0
Venezuela	69	19	12	0	87	11	2	0
West Bank & Gaza Strip	54	13	32	1	57	7	35	1
Yemen	34	28	33	5	16	28	56	0

A2.8 Distribution of Non-Local Consumers in 2009

Country / Region	Percentage of Entrepreneurs stating that the percent of non-local consumer in their business is			
	Less Than 25 percent		More than 75 percent	
	Early-stage Entrepreneurs	Established Business	Early-stage Entrepreneurs	Established Business
Innovation-Driven Economies				
Belgium	57	68	21	8
Denmark	71	74	15	13
Finland	92	96	3	2
France	77	92	6	2
Germany	82	91	7	4
Greece	85	88	7	3
Hong Kong	78	66	5	13
Iceland	73	82	15	9
Israel	73	75	9	6
Italy	89	94	6	2
Japan	94	96	0	0
Korea	88	93	4	2
Netherlands	85	84	4	4
Norway	82	87	5	4
Slovenia	71	74	11	11
Spain	87	91	4	3
Switzerland	84	91	7	5
UK	80	88	8	4
United Arab Emirates	60	58	13	22
United States	87	90	2	5
Efficiency-Driven Economies				
Argentina	94	96	1	1
Bosnia and Herzegovina	74	76	7	3
Brazil	97	98	1	1
Chile	90	85	5	6
China	97	100	0	0
Colombia	86	93	2	1
Croatia	67	79	11	6
Dominican Republic	90	95	3	2
Ecuador	86	93	3	1
Hungary	83	91	4	4
Iran	99	97	0	1
Jordan	91	95	5	0
Latvia	78	86	8	4
Malaysia	91	95	2	2
Panama	92	94	5	3
Peru	85	95	6	4
Romania	73	77	11	7
Russia	90	100	1	0
Serbia	91	94	3	2
Shenzhen	73	73	11	9
South Africa	65	73	12	16

Country / Region	Percentage of Entrepreneurs stating that the percent of non-local consumer in their business is			
	Less Than 25%		More than 75%	
	Early-stage Entrepreneurs	Established Business	Early-stage Entrepreneurs	Established Business
Tunisia	96	95	2	2
Uruguay	85	85	8	5
Factor-Driven Economies				
Algeria	86	83	4	6
Guatemala	99	98	0	1
Jamaica	89	95	3	2
Lebanon	76	82	4	0
Morocco	81	85	3	2
Saudi Arabia	88	91	2	3
Syria	82	86	5	5
Tonga	67	58	5	7
Uganda	98	98	1	0
Venezuela	87	85	4	4
West Bank & Gaza Strip	97	94	0	2
Yemen	98	98	0	0

A2.9 Exit Rates in 2009

Country / Region	Discontinuance of Business (percentage)		Exit Continuance of Business (percentage)		Total Exit (percentage)		Percentage of Exit with Continuance of Business (percentage)	
	2009	2007	2009	2007	2009	2007	2009	2007
	Innovation-Driven Economies							
Belgium	0.77	0.6	0.49	0.6	1.26	1.2	39.03	51.7
Denmark	0.49	0.9	0.56	0.7	1.05	1.6	53.23	42.6
Finland	1.10	0.7	0.98	1.0	2.09	1.7	47.17	59.0
France	1.29	2.0	0.65	1.1	1.94	3.1	33.29	35.2
Germany	1.29	-	0.51	-	1.79	-	28.27	-
Greece	1.76	1.8	0.80	0.8	2.56	2.6	31.07	29.8
Hong Kong	1.11	3.5	0.38	0.9	1.50	4.4	25.46	20.9
Iceland	2.82	2.4	1.22	1.3	4.04	3.7	30.26	34.2
Israel	2.23	1.6	1.79	0.9	4.02	2.5	44.58	34.7
Italy	0.74	1.2	0.37	0.7	1.11	2.0	33.47	37.8
Japan	1.03	2.0	0.40	0.0	1.44	2.0	28.14	0.0
Korea	2.37	-	1.54	-	3.91	-	39.39	-
Netherlands	1.80	0.5	0.71	0.3	2.51	0.8	28.33	39.8
Norway	2.36	1.4	1.36	0.9	3.72	2.3	36.51	38.3
Slovenia	0.87	1.2	0.40	0.3	1.27	1.6	31.65	21.8
Spain	1.43	0.6	0.56	0.4	1.99	1.0	28.13	36.4
Switzerland	1.34	1.5	0.78	1.6	2.12	3.1	36.77	52.4
United Kingdom	1.63	1.2	0.48	0.8	2.11	2.0	22.72	37.7
United Arab Emirates	3.72	4.7	2.75	1.9	6.47	6.6	42.48	28.8
United States	2.34	3.0	1.08	1.8	3.42	4.8	31.58	37.3



Country / Region	Discontinuance of Business (percentage)		Exit Continuance of Business (percentage)		Total Exit (percentage)		Percentage of Exit with Continuance of Business (percentage)	
	2009	2007	2009	2007	2009	2007	2009	2007
Efficiency-Driven Economies								
Argentina	4.18	6.5	1.98	2.0	6.16	8.5	32.21	23.7
Bosnia and Herzegovina	2.26	-	0.83	-	3.08	-	26.79	-
Brazil	2.40	4.5	1.64	2.0	4.04	6.4	40.58	30.6
Chile	4.10	3.4	2.20	1.5	6.30	4.9	34.94	30.5
China	4.25	6.1	2.32	4.2	6.57	10.3	35.28	40.7
Colombia	4.27	5.9	3.06	2.9	7.33	8.9	41.75	33.2
Croatia	2.76	1.9	1.14	1.0	3.90	3.0	29.20	34.9
Dominican Republic	6.70	4.8	6.22	4.4	12.92	9.2	48.14	47.6
Ecuador	4.47	-	1.51	-	5.98	-	25.30	-
Hungary	2.49	1.3	0.69	0.2	3.17	1.6	21.62	15.4
Iran	4.02	-	2.02	-	6.04	-	33.40	-
Jordan	4.59	-	2.23	-	6.81	-	32.67	-
Latvia	2.09	0.6	1.16	0.1	3.26	0.7	35.77	13.5
Malaysia	1.25	-	1.42	-	2.67	-	53.21	-
Panama	0.67	-	0.74	-	1.40	-	52.46	-
Peru	6.20	6.2	0.93	3.2	7.13	9.4	12.99	34.0
Romania	2.87	2.1	0.75	0.4	3.61	2.5	20.72	17.5
Russia	1.75	1.0	0.42	0.1	2.18	1.1	19.41	9.2
Serbia	1.69	2.0	0.24	0.8	1.93	2.8	12.39	27.6
Shenzhen	2.45	4.9 (2004)	1.50	-	3.95	-	38.09	-
South Africa	3.46	-	0.74	-	4.20	-	17.58	-
Tunisia	2.74	-	2.05	-	4.79	-	42.74	-
Uruguay	3.44	5.9	1.44	2.0	4.87	7.9	29.47	25.3
Factor-Driven Economies								
Algeria	5.19	-	2.69	-	7.88	-	34.11	-
Guatemala	5.81	-	0.48	-	6.29	-	7.62	-
Jamaica	8.51	-	2.15	-	10.66	-	20.15	-
Lebanon	3.09	-	1.52	-	4.61	-	33.04	-
Morocco	2.19	-	1.54	-	3.73	-	41.22	-
Saudi Arabia	1.52	-	1.37	-	2.88	-	47.39	-
Syria	4.07	-	3.37	-	7.45	-	45.30	-
Tonga	2.49	-	1.08	-	3.57	-	30.27	-
Uganda	19.88	-	4.34	-	24.22	-	17.94	-
Venezuela	1.83	2.1	1.17	1.7	3.00	3.8	39.01	44.8
West Bank & Gaza Strip	5.94	-	1.20	-	7.14	-	16.85	-
Yemen	1.99	-	0.00	-	1.99	-	0.00	-

A2.10 Prevalence Rates of Informal Investors in 2009

Country / Region	Informal Investor Prevalence Rate (percentage)	
	2009	2007
Innovation-Driven Economies		
Belgium	2.3	2.7
Denmark	2.2	2.1
Finland	2.2	3.3
France	3.8	5.6
Germany	1.5	-
Greece	2.3	2.6
Hong Kong	2.6	7.9
Iceland	6.7	7.6
Israel	3.5	1.9
Italy	1.8	3.0
Japan	1.7	1.8
Korea	3.2	-
Netherlands	1.8	2.3
Norway	6.1	3.9
Slovenia	2.8	3.2
Spain	3.0	3.2
Switzerland	4.7	5.0
UK	1.1	7.9
United Arab Emirates	8.8	1.4
United States	4.1	4.9
Efficiency-Driven Economies		
Argentina	3.0	2.8
Bosnia and Herzegovina	1.6	-
Brazil	0.9	0.9
Chile	10.6	7.6
China	6.6	9.6
Colombia	3.8	7.2
Croatia	3.1	2.5
Dominican Republic	5.8	7.2
Ecuador	2.8	-
Hungary	4.7	0.9
Iran	4.1	-
Jordan	2.2	-
Latvia	6.7	1.6
Malaysia	2.1	-
Panama	2.4	-
Peru	7.9	9.7
Romania	1.9	4.6
Russia	1.5	1.6
Serbia	4.3	4.1
Shenzhen	3.8	-
South Africa	1.9	-

Country / Region	Informal Investor Prevalence Rate (percentage)	
	2009	2007
Tunisia	5.9	-
Uruguay	2.7	4.2
Factor-Driven Economies		
Algeria	7.3	-
Guatemala	12.6	-
Jamaica	8.4	-
Lebanon	2.0	-
Morocco	0.5	-
Saudi Arabia	3.8	-
Syria	5.6	4.7
Tonga	2.9	-
Uganda	18.6	-
Venezuela	1.4	2.4
West Bank & Gaza Strip	1.5	-
Yemen	2.0	-

Appendix 3: Response to Expert Interviews

A3.1 Response to the expert interview questionnaire, comparing 2009 to 2003, 2004 and 2007, Hong Kong

EFC	Statement	2009 Response	2009 Score	2007 Response	2007 Score	2004 Response	2004 Score	2003 Response	2003 Score
Physical Infrastructure	New or growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month.	Agree	1.78	Agree	1.68	Agree	1.76	Agree	1.91
Physical Infrastructure	A new or growing firm can get good access to communications (telephone, internet, etc.) in about a week.	Agree	1.64	Agree	1.81	Agree	1.77	Agree	1.79
Physical Infrastructure	New and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer).	Agree	1.64	Agree	1.53	Agree	1.65	Agree	1.65
Policies	The amount of taxes is NOT a burden for new and growing firms.	Agree	1.61	Agree	1.06	Agree	1.53	Agree	1.40
Physical Infrastructure	The physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms.	Agree	1.53	Agree	1.58	Agree	1.51	Agree	1.56
Social Image	Most people think of entrepreneurs as competent, resourceful individuals.	Agree	1.47	Agree	1.32	Agree	1.26	Agree	1.37
Physical Infrastructure	It is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).	Agree	1.44	Agree	1.62	Agree	1.56	Agree	1.77
Policies	Taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	Agree	1.39	Agree	1.39	Agree	1.61	Agree	1.59
Cultural & Social Norms	The Regional culture is highly supportive of individual success achieved through own personal efforts.	Agree	1.39	Agree	1.39	Agree	1.76	Agree	1.65
Innovation	Consumers like to try out new products and services.	Agree	1.31	Agree	1.03	NA	NA		
Social Image	Successful entrepreneurs have a high level of status and respect.	Agree	1.28	Agree	1.26	Agree	1.30	Agree	1.55
Social Image	You will often see stories in the public media about successful entrepreneurs.	Agree	1.25	Agree	1.12	Agree	1.42	Agree	1.42
Women	Men and women are equally able to start a new business.	Agree	1.25	Agree	1.00	Agree	0.95	Agree	1.28
Commercial & Service Infrastructure	It is easy for new and growing firms to get good, professional legal and accounting services.	Agree	1.22	Agree	1.19	Agree	1.07	Agree	1.26
Women	Starting a new business is a socially acceptable career option for women.	Agree	1.17	Agree	1.06	Agree	1.26	Agree	1.51
Innovation	Innovation is highly valued by consumers.	Agree	1.17	Agree	0.88	NA	NA		
Social Image	The creation of new ventures is considered an appropriate way to become rich.	Agree	1.14	Agree	1.15	Agree	1.05	Agree	1.40
Commercial & Service Infrastructure	It is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like).	Agree	1.06	Agree	0.84	Agree	1.12	Agree	1.35
IP Rights	The Intellectual Property Rights (IPR) legislation is comprehensive.	Agree	1.00	Agree	1.31	Agree	0.98	Agree	1.28
Women	There are sufficient social services available so that women can continue to work even after they start a family.	Agree	1.00	Agree	0.53	Agree	0.45	Agree	0.86
Women	Men and women get equally exposed to good opportunities to start a new business.	Agree	1.00	Agree	0.74	Agree	0.95	Agree	1.14
IP Rights	It is widely recognized that inventors' rights for their inventions should be respected.	Agree	0.97	Agree	0.79	Agree	0.48	Agree	0.70
Policies	Coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms.	Agree	0.94	NS	0.10	Disagree	-0.50	NS	0.02
Social Entrepreneurship	Business should invest more in socially responsible activities if they want to regain public confidence lost due to the global economic crisis	Agree	0.91	NA		NA	NA		

EFC	Statement	2009 Response	2009 Score	2007 Response	2007 Score	2004 Response	2004 Score	2003 Response	2003 Score
Social Entrepreneurship	Society expects companies to give some of their profits back to the community through contributing to important social or environmental projects.	Agree	0.91	NA		NA		NA	
Innovation	Consumers are open to buying products and services from new, entrepreneurial companies.	Agree	0.89	Agree	0.52	NA		NA	
Market Openness	The markets for consumer goods and services change dramatically from year to year.	Agree	0.89	Agree	0.59	Agree	0.67	Agree	0.60
Cultural & Social Norms	The Regional culture emphasizes self-sufficiency, autonomy, and personal initiative.	Agree	0.86	Agree	1.12	Agree	1.37	Agree	1.26
Cultural & Social Norms	The Regional culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.	Agree	0.86	Agree	0.82	Agree	1.07	Agree	1.09
Opportunities	There are plenty of good opportunities for the creation of new firms.	Agree	0.81	Agree	0.70	Agree	0.58	NS	0.26
Social Entrepreneurship	CSOs tend to be willing to partner with companies on social, environmental or community projects.	Agree	0.79	NA		NA		NA	
Commercial & Service Infrastructure	There are enough subcontractors, suppliers, and consultants to support new and growing firms.	Agree	0.75	NS	0.34	Agree	0.66	Agree	0.53
Innovation	Innovation is highly valued by companies.	Agree	0.74	Agree	0.56	NA		NA	
IP Rights	The Intellectual Property Rights (IPR) legislation is efficiently enforced.	Agree	0.72	Agree	0.79	Agree	0.40	Agree	0.63
Commercial & Service Infrastructure	It is easy for new and growing firms to get good subcontractors, suppliers, and consultants.	Agree	0.69	NS	0.29	NS	0.29	Agree	0.58
Opportunities	Individuals can easily pursue entrepreneurial opportunities.	Agree	0.67	Agree	0.97	Agree	0.79	Agree	0.88
Finance	There is sufficient funding available through initial public offerings (IPOs) for new and growing firms.	Agree	0.66	Agree	0.50	NS	0.33	NS	0.32
Market Openness	The markets for business-to-business goods and services change dramatically from year to year.	Agree	0.54	NS	0.06	Agree	0.53	NS	0.33
Policies	New firms can get most of the required permits and licenses in about a week.	Agree	0.53	NS	-0.13	Agree	0.85	Agree	0.65
Social Entrepreneurship	Social responsibility is a significant source of competitive advantage for new and growing businesses.	Agree	0.51	NA		NA		NA	
Innovation	Companies like to experiment with new technologies and with new ways of doing things.	Agree	0.49	NS	0.32	NA		NA	
IP Rights	New and growing firms can trust that their patents, copyrights, and trademarks will be respected.	Agree	0.49	Agree	0.59	NS	0.02	NS	0.35
Market Openness	New and growing firms can easily enter new markets.	Agree	0.47	NS	0.15	Agree	0.43	Agree	0.53
High Growth	Potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support.	Agree	0.47	Agree	0.67	NA		NA	
Abilities & Knowledge	Many people know how to start and manage a small business.	Agree	0.42	Agree	0.79	NS	-0.23	NS	0.00
Programs	Science parks and business incubators provide effective support for new and growing firms.	Agree	0.38	NS	0.00	NS	-0.17	NS	0.14
Education	The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.	Agree	0.35	NS	-0.13	NS	-0.20	NS	0.07
Education	The level of business and management education provide good and adequate preparation for starting up and growing new firms.	Agree	0.31	NS	-0.16	NS	-0.31	Agree	0.48
Education	Teaching in primary and secondary education provides adequate instruction in market economic principles.	Disagree	-0.40	Disagree	-0.63	Disagree	-0.90	Disagree	-0.71



EFC	Statement	2009 Response	2009 Score	2007 Response	2007 Score	2004 Response	2004 Score	2003 Response	2003 Score
Social Entrepreneurship	If a business complies with the law, it is already considered as a very social and environmentally friendly business.	Disagree	-0.46	NA		NA		NA	NA
R & D Transfer	New technology, science, and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.	Disagree	-0.47	Disagree	-0.32	Disagree	-0.37	Disagree	-0.43
Abilities & Knowledge	Many people know how to start and manage a high-growth business.	Disagree	-0.53	NS	-0.17	Disagree	-0.42	Disagree	-0.52
Policies	The support for new and growing firms is a high priority for policy at the Regional government level.	Disagree	-0.56	Disagree	-0.76	Disagree	-0.60	NS	-0.37
Finance	There are sufficient government subsidies available for new and growing firms.	Disagree	-0.56	Disagree	-0.58	NS	-0.28	NS	-0.36
Policies	The support for new and growing firms is a high priority for policy at the local government level.	Disagree	-0.57	Disagree	-0.71	Disagree	-0.55	NS	-0.38
R & D Transfer	New and growing firms can afford the latest technology.	Disagree	-0.63	Disagree	-0.76	Disagree	-0.66	Disagree	-0.75
Education	Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.	Disagree	-0.72	Disagree	-0.73	Disagree	-0.93	Disagree	-1.05
R & D Transfer	There are adequate government subsidies for new and growing firms to acquire new technology.	Disagree	-0.97	Disagree	-0.77	Disagree	-0.69	Disagree	-0.67
Market Openness	The anti-trust legislation is effective and well enforced.	Disagree	-1.07	Disagree	-0.58	Disagree	-0.66	Disagree	-0.74
Policies	Government policies (e.g., public procurement) consistently favor new firms.	Disagree	-1.12	Disagree	-0.80	Disagree	-0.71	Disagree	-0.49
Education	Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	Disagree	-1.17	Disagree	-1.17	Disagree	-1.21	Disagree	-1.02

Note: The above records the average responses of the experts whose names are given in Appendix 5. Only statements where respondents' average responses differed significantly from "neither true nor false" in 2009 are recorded. Significance is at the 95 percent confidence level. Responses are ordered by difference from neutrality. Minimum possible score is -2.00. Maximum possible score is +2.00. Responses from 2003-2007 are given the final three columns. NS = responses are not significantly different from zero. NA = question not asked.

A3.2 Response to the expert interview questionnaire, comparing 2009 to 2003-2004, Shenzhen

EFC	Statement	2009 Response	2009 Score	2004 Response	2004 Score	2003 Response	2003 Score
Social Image	The creation of new ventures is considered an appropriate way to become rich.	Agree	1.62	Agree	0.34	Agree	1.82
Physical Infrastructure	A new or growing firm can get good access to communications (telephone, internet, etc.) in about a week.	Agree	1.61	Agree	0.86	Agree	1.64
Cultural & Social Norms	The Regional culture encourages creativity and innovativeness.	Agree	1.57	NS	-0.10	Agree	1.59
Social Image	Successful entrepreneurs have a high level of status and respect.	Agree	1.57	Agree	0.49	Agree	1.91
Physical Infrastructure	New and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer).	Agree	1.56	Agree	0.91	Agree	1.55
Cultural & Social Norms	The Regional culture is highly supportive of individual success achieved through own personal efforts.	Agree	1.49	NS	-0.11	Agree	1.68
Physical Infrastructure	New or growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month.	Agree	1.48	Agree	0.95	Agree	1.45
Social Entrepreneurship	Society expects companies to give some of their profits back to the community through contributing to important social or environmental projects.	Agree	1.44	NA		NA	
Social Image	You will often see stories in the public media about successful entrepreneurs.	Agree	1.40	Agree	0.36	Agree	1.73
Social Entrepreneurship	Businesses should invest more in socially responsible activities if they want to regain public confidence lost due to the global economic crisis.	Agree	1.31	NA		NA	
Social Image	Most people think of entrepreneurs as competent, resourceful individuals.	Agree	1.29	Agree	0.43	Agree	1.64
Cultural & Social Norms	The Regional culture emphasizes self-sufficiency, autonomy, and personal initiative.	Agree	1.29	NS	-0.06	Agree	1.55
Women	Starting a new business is a socially acceptable career option for women.	Agree	1.26	Agree	0.50	Agree	1.64
Innovation	Consumers like to try out new products and services.	Agree	1.23	NA		NA	
Women	Men and women get equally exposed to good opportunities to start a new business.	Agree	1.21	NS	0.07	Agree	0.81
Innovation	Innovation is highly valued by companies.	Agree	1.14	NA		NA	
Social Image	Most people consider becoming an entrepreneur as a desirable career choice.	Agree	1.14	NS	-0.01	Agree	1.29
High Growth	Potential for rapid growth is often used as a selection criterion when choosing recipients of entrepreneurship support.	Agree	1.12	NA		NA	
Innovation	Innovation is highly valued by consumers.	Agree	1.11	NA		NA	
Cultural & Social Norms	The Regional culture encourages entrepreneurial risk-taking.	Agree	1.09	Disagree	-0.46	Agree	1.36
Programs	Science parks and business incubators provide effective support for new and growing firms.	Agree	1.06	NS	-0.15	Agree	1.05
Market Openness	The markets for consumer goods and services change dramatically from year to year.	Agree	1.06	Disagree	-0.23	Agree	0.65
Women	Men and women are equally able to start a new business.	Agree	1.06	Agree	0.67	Agree	0.64
High Growth	Policy-makers are aware of the importance of high-growth entrepreneurial activity.	Agree	1.06	NA		NA	
Women	There are sufficient social services available so that women can continue to work even after they start a family.	Agree	1.03	NS	0.03	Agree	1.36
IP Rights	It is widely recognized that inventors' rights for their inventions should be respected.	Agree	1.03	Agree	0.30	Agree	1.41
Opportunities	Good opportunities for new firms have considerably increased in the past five years.	Agree	1.00	Agree	0.46	Agree	1.23
Women	Women are encouraged to become self-employed or start a new business.	Agree	1.00	NS	-0.06	Agree	0.91
Opportunities	There are plenty of good opportunities for the creation of new firms.	Agree	0.97	Agree	0.41	Agree	1.36
Physical Infrastructure	The physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms.	Agree	0.91	Agree	0.42	Agree	1.59
Social Entrepreneurship	CSOs tend to be willing to partner with companies on social, environmental or community projects.	Agree	0.90	NA		NA	



EFC	Statement	2009 Response	2009 Score	2004 Response	2004 Score	2003 Response	2003 Score
Social Entrepreneurship Innovation	The government is able to bring potential entrepreneurs, businesses and CSOs together around specific social/environmental or community projects.	Agree	0.89	NA		NA	
Innovation	Companies like to experiment with new technologies and with new ways of doing things.	Agree	0.88	NA		NA	
Policies	Coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms.	Agree	0.86	Disagree	-0.55	Agree	0.57
Cultural & Social Norms	The Regional culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life.	Agree	0.85	NS	-0.15	Agree	1.32
Social Entrepreneurship	Social responsibility is a significant source of competitive advantage for new and growing businesses.	Agree	0.79	NA		NA	
Market Openness	The markets for business-to-business goods and services change dramatically from year to year.	Agree	0.75	Disagree	-0.25	Agree	0.71
High Growth	Supporting rapid firm growth is a high priority in entrepreneurship policy.	Agree	0.71	NA		NA	
Policies	Taxes and other government regulations are applied to new and growing firms in a predictable and consistent way.	Agree	0.71	Disagree	-0.33	Agree	0.86
Physical Infrastructure	It is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.).	Agree	0.65	Agree	0.79	Agree	1.27
Opportunities	There are more good opportunities for the creation of new firms than there are people able to take advantage of them.	Agree	0.62	Agree	0.43	Agree	0.91
Social Entrepreneurship	If a business complies with the law, it is already considered as a very social and environmentally friendly business	Agree	0.61	NA		NA	
Innovation	Consumers are open to buying products and services from new, entrepreneurial companies.	Agree	0.50	NA		NA	
Education	The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.	Agree	0.45	Disagree	-0.30	Agree	0.57
High Growth	There are many support initiatives that are specially tailored for high-growth entrepreneurial activity.	Agree	0.45	NA		NA	
Social Entrepreneurship	Social, environmental and community problems are generally solved more effectively by entrepreneurs than by the government.	Agree	0.45	NA		NA	
Programs	A wide range of government assistance for new and growing firms can be obtained through contact with a single agency.	Disagree	-0.79	Disagree	-0.75	NS	-0.45
Education	Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.	Disagree	-0.96	Disagree	-1.16	Disagree	-0.73

Note: The above records the average responses of the experts whose names are given in Appendix 5. Only statements where respondents' average responses differed significantly from "neither true nor false" in 2009 are recorded. Significance is at the 95 percent confidence level. Responses are ordered by difference from neutrality. Minimum possible score is -2.00. Maximum possible score is +2.00. Responses from 2003-2004 are given the final two columns. NS = responses are not significantly different from zero. NA = question not asked.

Appendix 3.3 Three EFC items ranked most positive (+) and Three EFCs ranked most negative (-), per country

	1 Finance 2a Nat. policy – general policy 2b Nat. policy – regulation 3 Government programs	4a Education – prim. & second. 4b Education – post-school 5 R&D transfer 6 Commercial infrastructure	7a Internal Market – dynamics 7b Internal Market – openness 8 Physical infrastructure 9 Cultural & social norms	1	2a	2b	3	4a	4b	5	6	7a	7b	8	9
Factor-driven economies															
Bosnia & Herz.	+			+	+						-		-		
Guatemala				-			-		+		+				+
Jamaica									+						+
Saudi Arabia	+											+			+
Syria												+			+
Tonga Islands									+						+
Uganda											+	+			+
Venezuela									+			+			+
Efficiency-driven economies															
Argentina									+		+				+
Brazil												+		+	+
Chile					+									+	+
Colombia									+					+	+
Croatia									+			+		+	+
Dominican Rep.									+					+	+
Ecuador									+		+			+	+
Hungary									+		+			+	+
Latvia											+		+	+	+
Malaysia												+		+	+
Panama											+			+	+
Peru									+					+	+
Russia											+	+		+	+
Serbia									+		+	+		+	+
Shenzhen												+		+	+
South Africa									+		+			+	+
Tunisia					+		+							+	+
Uruguay							+				+			+	-
Innovation-driven economies															
Belgium											+		+	+	+
Denmark							+				+			+	+
Finland											+			+	+
Germany											+			+	+
Greece											+	+		+	+
Hong Kong											+	+		+	+
Iceland														+	+
Israel											+			+	+
Italy									+			+		+	+
Netherlands									+		+			+	+
Norway							+				+			+	+
Slovenia											+	+		+	-
South Korea												+		+	+
Spain							+				+			+	+
Switzerland											+	+		+	+
Un. Arab Emirates											+	+		+	+
United Kingdom											+		+	+	+
USA											+			+	+

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Hungary	University of Pécs, Faculty of Business and Economics	László Szerb Attila Varga József Ulbert Zoltan J. Acs Siri Terjesen Gábor Márkus Péter Szirmai Attila Petheő Katalin Szakács	National Office for Research and Technology George Mason University University of Pécs, Faculty of Business ad Economics	Szocio-Gráf Piac-és Kőzvélemény-kutató Intézet
Iceland	Reykjavik University	Rögnvaldur Sæmundsson Silja Björk Baldursdóttir	Reykjavik University	Capacent Gallup
Iran	University of Tehran	Abbas Bazargan Caro Lucas Nezameddin Faghieh A. A. Moosavi-Movahedi Leyla Sarfaraz A. Kordmaej Jahangir Yadollahi Farsi M.Ahamadpour Daryani S. Mostafa Razavi Mohammad Reza Zali Mohammad Reza Sepehri	Iran's Ministry of Labour and Social Affairs Iran's Labour and Social Security Institute (LSSI)	Dr. Mohammad Reza Zali
Israel	The Ira Center of Business, Technology & Society, Ben Gurion University of the Negev	Ehud Menipaz Yoash Avrahami Miri Lerner Yossi Hadad Dov Barak	The Ira Center for Business, Technology & Society, Ben Gurion University of the Negev Sami Shmoon College of Engineering Rotem Park NGO for Entrepreneurship Encouragement	The Brandman Institute
Italy	EntER - Bocconi University	Guido Corbetta Giovanni Valentini	Atradius Ernst & Young	Target Research



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Jamaica	University of Technology, Jamaica	Girjanauth Boodraj Mauvalyn Bowen Joan Lawla Marcia McPherson-Edwards Vanetta Skeete Horace Williams	Faculty of Business and Management, University of Technology, Jamaica	Cashmere International Limited
Japan	Keio University Musashi University Shobi University	Takehiko Isobe Noriyuki Takahashi Tsuneo Yahagi	Venture Enterprise Center Ministry of Economy, Trade and Industry	Social Survey Research Information Co.,Ltd (SSRI)
Korea	Jinju National University	Sung-sik Bahn Sang-pyo Kim Kyoung-mo Song Dong-whan Cho Jong-hae Park Min-Seok Cha	Small and Medium Business Administration (SMBA)	Hankook Research Co.
Latvia	The TeliaSonera Institute at the Stockholm School of Economics in Riga	Olga Rastrigina Alf Vanags Anders Paalzow Vyacheslav Dombrovsky Amis Sauka	TeliaSonera AB	SKDS
Malaysia	University Tun Abdul Razak	Siri Roland Xavier Dewi Amat Sapuan Ainon Jauhariah Abu Samah Leilanie Mohd Nor Mohar Yusof	University Tun Abdul Razak	Rehanstat
Middle East and North Africa	International Development Research Centre (IDRC)	Lois Stevenson Susan Joekes Edgard Rodriguez Abderrahmane Abedou Ahmed Bouyacoub Hala Hattab Matthias Hühn Tony Feghali Yusuf Sidani Ghassan Omet Adel Bino Mohamed Derrabi Lamia Dandoune Taha Ahmed Al Fusail Abdul Karim Sayaghi Yousef Daoud Tareq Sadeq Alaa Tartir Ruba Adil. Shanti	International Development Research Centre (IDRC)	Nielsen

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Netherlands	EIM Business and Policy Research	Jolanda Hessels Sander Wennekers Chantal Hartog Niels Bosma Roy Thurik André van Stel Ingrid Verheul Philipp Koellinger Peter van der Zwan	Dutch Ministry of Economic Affairs	Stratus
Norway	Bodo Graduate School of Business	Lars Kolvereid Erlend Bullvaag Bjorn Willy Aamo Eirik Pedersen Terje Mathisen	Ministry of Trade and Industry Innovation Norway Kunnskapsparken Bodo AS, Center for Innovation and Entrepreneurship Kunnskapsfondet Nordland AS Bodo Graduate School of Business	TNS Gallup
Panama	Acelerador de Empresas de Ciudad del Saber IESA Panamá – Fundación de Estudios Avanzados de Gerencia	Federico Fernandez Manuel Lorenzo Manuel Arrocha Michael Penfold	Cámara de Comercio e Industrias de Panamá Cable & Wireless Panamá APC - Asociación Panameña de Crédito Almacenes, S.A. Banco Interamericano de Desarrollo	IPSOS
Peru	Universidad ESAN	Jaime Serida Oswaldo Morales Keiko Nakamatsu Liliana Uehara	Universidad ESAN	Imasen
Romania	Faculty of Economics and Business Administration, Babes-Bolyai University	Györfy Lehel-Zoltán Matiş Dumitru Nagy Ágnes Pete Ştefan Szerb László Mircea Comşa Ilieş Liviu Benyovszki Annamária Petru Tünde Petra Juhász Jácint Matiş Eugenia Nagy Zsuzsánna-Ágnes Alina Solovástru Mircea Solovástru	Asociația Pro Oeconomics Babeş-Bolyai University, Faculty Of Economics And Business Administration OTP Bank Romania SA East Consulting SRL Lacu Roşu SC Nova Construct SRL Savilcom SRL	Metro Media Transilvania

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Russia	Saint Petersburg Team Graduate School of Management, Saint Petersburg Moscow Team State University - Higher School of Economics, Moscow	Olga Verhovskaya Maria Dorokhina Alexander Chepurenko Olga Obratsova Maria Gabelko Tatiana Alimova Julia Filatova Kate Murzacheva	Graduate School of Management at Saint Petersburg State University State University - Higher School of Economics Ministry of Economic Development of Russian Federation	Levada-Center
Saudi Arabia	The National Entrepreneurship Center Alfaisal University	Munira A. Al-Ghamdi Maher Alodan Faisal A. Al-Kadi Norman Wright Sulaiman AL Sakran Mohammad S Khorsheed	The Centennial Fund/National Entrepreneurship Center	IPSOS
Serbia	University of Novi Sad - The Faculty of Economics Subotica	Dusan Bobera Bozidar Lekovic Nenad Vunjak Pere Tumbas Sasa Bosnjak Slobodan Maric	Executive Council of Vojvodina Province - Department for Economy	Marketing Agency "Drdrazen" d.o.o. Subotica
Slovenia	Institute for Entrepreneurship and Small Business Management, Faculty of Economics & Business, University of Maribor	Miroslav Rebernik Polona Tominc Ksenja Pušnik Katja Cmogaj	Ministry of the Economy Slovenian Research Agency Finance – Slovenian Business Daily	RM PLUS
South Africa	The UCT Centre for Innovation and Entrepreneurship, Graduate School of Business, University of Cape Town	Mike Herrington Jacqui Kew Penny Kew	Swiss South African Cooperation Initiative Standard Bank of South Africa Small Enterprise Development Agency	Nielsen South Africa
Spain	Instituto de Empresa	Ignacio de la Vega Alicia Coduras Isabel Gonzalez Cristina Cruz Rachida Justo	DGPYMES Fundación Cultural Banesto Fundación Inceyde IE Business School	Instituto Opinometre S.L.
Regional Teams: Andalucía	Regional Universities: Cádiz	Regional Team Directors: José Ruiz Navarro	Junta de Andalucía Unicaja	
Asturias	Univ. De Oviedo	Juan Ventura Victoria	Gob. del Principado de Asturias	
Aragón	Univ. de Zaragoza	Lucio Fuentelsaz	Gob. de Aragón Dpto, Industria, Comercio y Turismo Fundación Emprender en Aragón Instituto Aragones Fomento Consejo Aragones Cámaras de Comercio.	

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Cantabria	Univ. De Cantabria Cátedra Pyme de la Universidad de Cantabria.	Fco. Javier Martínez	Santander Gov. Regional Cantabria. Consejería de Economía y Hacienda. Grupo Sordecán Fundación UCEIF	
Castilla y Leon	Univ. De León	Mariano Nieto Antolin	Junta Castilla y León ADE Inversiones y Servicios Centro Europeos de Empresas e Innovación de Castilla y León. Universidad de León	
Castilla la Mancha	Univ. Castilla la Mancha	Miguel Ángel Galindo	Fundación Rayet Parque Científico de Albacete Caja Castilla La Mancha IMPEFE Ayuntamiento de Albacete Univ. Castilla la Mancha. Diputación Provincial Allbacete SEPECAM UGT (Iniciativas Futuro)	
Catalonia	Autónoma de Barcelona	Carlos Guallarte	Diputación de Barcelona Departamento de Trabajo. Generalitat de Catalunya	
C. Valenciana	Univ. Miguel Hernández	José Mª Gómez Gras	Air Nostrum IMPIVA	
Extremadura	Fundación Xavier de Salas Univ. De Extremadura	Ricardo Hernández	Junta Extremadura Univ. Extremadura Central Nuclear Almaraz Sodiox, Sofiex Aram Consultores, CCOO U.R. Extremadura, Urvicasa Caja Rural de Extremadura, Palicrisa Fundación Academica Europea de Yuste.	

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Galicia	CEEI Galicia CEG Grupo de investigación "Métodos y Gestión Empresas" de la Univ. Santiago Compostela Dirección Xeral do Emprego de la Xunta de Galicia.	Araceli de Lucas	Confederación Empresarios Galicia (CEG) CEEI Galicia SA (BIC Galicia) Grupo de investigación "Métodos y Gestión Empresas" de la Univ. Santiago Compostela	
Madrid	Autónoma de Madrid	Eduardo Bueno	IMADE Fundación General Univ. Autónoma de Madrid.	
Murcia	Univ. de Murcia	Antonio Aragón	Fundación Caja Murcia Consejería de Economía, Empresa e Innovación Instituto Fomento región de Murcia. Centro Europeo de Empresas e innovación de Murcia Univ. Murcia	
Navarra	Univ. Pública de Navarra Centro Europeo de Empresas e Innovación de Navarra Servicio Navarro de Empleo.	Miren Sanz	Gob. Navarra, Servicio Navarro de Empleo.	
Basque Country	Orkestra Univ. Deusto Univ. Basque Country Univ. Mondragón.	Itzaki Peña	Eusko Ikaskuntza SPRI, Gobierno Vasco Diputación Foral Álava Diputación Foral Bizkaia Diputación Foral Gipuzkoa Fundación Emilio Soldevilla	
	Fundación Escuela de Negocios de Andalucía		PROCESA Fundación Escuela Negocios Andalucía	

Team	Institution	National Team Members	Finacial Sponsors	APS Vendor
Ceuta	Consejería de Economía, Empleo y Turismo Fundación Escuela de Negocios de Andalucía	Lázaro Rodríguez	Consejería de Economía, Empleo y Turismo Fundación Escuela de Negocios Andalucía.	
Melilla		Lázaro Rodríguez		
Switzerland	School of Business Administration (SBA Fribourg)	Rico J. Baldegger Andreas A. Brülhart Mathias J. Rossi Etienne Rumo Patrick E. Schüffel Thomas Straub Muriel Berger	KTI /CTI	DemoSCOPE
Syria	Syria Trust for Development Syrian Young Entrepreneurs Association (SYEA) University of Kalamoun	Majd Haddad Nader Kabbani Yamama Al-Oraibi Leen Al Habash Abdulsalam Haykal Hani Tarabichi	IDRC Syrian Young Entrepreneurs Association (SYEA) Syria Trust for Development	Nielsen / Acumen
Kingdom of Tonga	UNITEC	Robert Davis Malama Solomona Asoka Gunaratne Stephen Cox Judith King Howard Frederick Stephen Haslett Tania Wolfgramm	AusAID	Creatrix International / Kaha'uTonga
Tunisia	Institut des Hautes Etudes Commerciales - Sousse	Faysal Mansouri Lotfi Belkacem	GTZ – Programme d'Appui à l'Entrepreneuriat et à l'Innovation	Optima
Uganda	Makerere University Business School (MUBS)	Arthur Sserwanga Rebecca Namatovu-Dawa Sarah Kyejusa Laura Orobia Peter Rosa Waswa Balunywa	Makerere University Business School Bank of Uganda	Makerere University Business School
United Arab Emirates	Zayed University	Declan McCrohan Murat Erogul Nico Vellinga Qingxia Tong Maitha Qurwash	Mohammed Bin Rashid Establishment for SME Development Khalifa Fund to Support and Develop Small and Medium Enterprises	IPSOS

Team	Institution	National Team Members	Financial Sponsors	APS Vendor
United Kingdom	Aston University	Jonathan Levie Mark Hart Erkko Autio Liz Blackford Michael Anyadike-Danes Alpheus Thomole Aloña Martiarena Mohammed Shamsul Kharim Yasser Bhatti	Department of Business, Innovation and Skills English RDAs Invest NI Welsh Assembly Government Enterprise UK PRIME Birmingham City Council Belfast City Council Enterprise Northern Ireland Hunter Centre for Entrepreneurship, University of Strathclyde	IFF Research Ltd.
United States	Babson College	Julio de Castro Lisa DiCarlo Abdul Ali I. Elaine Allen Bill Bygrave Candida Brush Julian Lange Marcia Cole Ivory Phinisee Al Suhu Edward Rogoff Joseph Onochie Monica Dean	Babson College Baruch College	OpinionSearch Inc.
Uruguay	University of Montevideo	Leonardo Veiga Fernando Borraz Pablo Regent Adrián Edelman Alvaro Cristiani Cecilia Gomeza	University of Montevideo	Equipos Mori
Venezuela	IESA – Centro de Emprendedores	Federico Fernandez Rebeca Vidal Aramis Rodriguez Nunzia Auletta	Mercantil Servicios Financieros Fundacion Iesa Petrobras Energia Venezuela	Datanalisis
GEM Global Coordination Team		Kristie Seawright Mick Hancock Yana Litovsky Chris Aylett Jackline Odoch Marcia Cole Jeff Seaman Niels Bosma Alicia Coduras		

A5.2 List of Interviewed Experts

Hong Kong Experts

Mr. Anthony AU
Chairman
Cyberport IncuTrain Centre Advisory Committee

Dr. Cliff C. K. CHAN
Chief Executive Officer
TeleEye Holdings Limited

Ms. Amanda CHENG
Executive Director
PIP Cultural Industries Limited

Mr. Mark COGGINS
Chief Executive Officer
Kaplan Asia Pacific

Mr. Simon GALPIN
Director-General
Invest Hong Kong

Ms. Yvonne HO
Managing Director
Courses & Seminars Limited

Mr. Bernard HUI
Executive Director
Rocco Design Architects Limited

Mr. Kin KO
Chief Executive Officer
Lakoo Limited

Mr. Bankee KWAN
Chairman & CEO
Celestial Asia Securities Holdings Limited

Dr. Lee George LAM
Chairman
Monte Jade Science and Technology Association
of Hong Kong

Dr. Alex LAU
Manager of Intellectual Property Centre
Federation of Hong Kong Industries

Mr. Quinn Yee-kwan LAW
Managing Director
Urban Renewal Authority

Mr. Edward H. K. LEUNG
Chief Economist
Hong Kong Trade Development Council

Dr. Steven K. LUK
General Manager and Managing Director
The Commercial Press (H.K.) Ltd

Mr. Benson Tak Wing LO
Executive Director
Pacific Foundation Securities Limited

Mr. Simon MAK
Chief Executive Officer
Ascent Partners Group Limited

Mr. Thomas J. Mehrmann
Chief Executive
Ocean Park Corporation

Ms. Winnie NG
Founder & Deputy Chairman
RoadShow Holdings Ltd.

Mr. Viveik M. SAIGAL
Chief Executive Officer
Sengital Ltd.

Dr. Elizabeth S. C. SHING
Director General
The Hong Kong Management Association

Dr. Hon Samson Wai-Ho TAM
Member
Legislative Council

Mr. E. Anthony TAN
Chief Executive Officer
Hong Kong Science and Technology Parks
Corporation

Mr. Peter P. W. TSE
Group Executive Director
CLP Holdings Limited

Dr. Anthony TSUI
Programme Director
The College of Business & Finance of
HKUSPACE

Ms. Dianna T. TSUI
Director of Corporate Social Responsibility
KPMG

Dr. Richard R. VUYLSTEKE
President
The American Chamber of Commerce in Hong
Kong

Mr. Anthony WONG
President, Asia Pacific
OLPC Asia Pacific

Mr. Ricky WONG
Chairman
City Telecom (HK) Limited

Dr. Rosanna WONG
Executive Director
The Hong Kong Federation of Youth Groups

Ms. Siu Ling WONG
General Manager
Wing Lai Yuen Restaurant

Dr. Gilbert Y. Y. WONG
Executive Director of Poon Kam Kai Institute of
Management
The University of Hong Kong

Mr. Whelan WONG
Chief Executive
Modernized Chinese Medicine International
Association

Mr. Raymond YIM
Founder
Hong Kong Social Enterprise Incubation Centre
Limited

Prof. Albert YU
Chairman and Chief Executive Officer
Hai kang Life Corporation Limited

Professor Matthew M.F. YUEN
Acting Vice-President
The Hong Kong University of Science and
Technology

One expert requested anonymity

Shenzhen Experts

Xun BAO
Editor
Shenzhen Youth Magazine

Chunbin BU
President
Shenzhen Colourful Tourism Plan Consultant Co.,
Ltd

Dowell DU
CEO
Shenzhen Kingalp Industry Co., Ltd

Yanguo DU
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Ltd

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Senior Editor
Sea-Sky Publishing House

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Guang GAO
General Manager
Shenzhen Qi Yu Da Digital System Co., Ltd

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Shenzhen Industry and Commerce Administration
Bureau

Hai GUO
General Manager
Shenzhen Guoran Advertisement Company

Jun HE
General Manager
Shenzhen Kuan Zhou Culture Co., Ltd

Min HE
National Expert on Management Science
Shenzhen University Adult Education College

Shifang HUANG
Research Center Shenzhen Special Economic
Zone Culture
Director

Xiaofei HUANG
General Manager
Shenzhen Feiyu Membrane Technology
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Cheng JIA
General Manager
Wanren Market Research

Yiting JIANG
Manager
Shenzhen Kunlun Jewellery Company

Jianrui JING
Principal
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CFO
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Ltd

Xia LIU
Associate Professor
Shenzhen Open University

Xiaobing LIU
General Manager
China Finance Credit Holdings Ltd

Xueyang LIU
Deputy Manager
SIEGENIA Technology Co., Ltd

Youdi LIU
Vice Secretary
Shenzhen Expert Union

Jianhua OU
Vice Secretary
Shenzhen People's Congress

Jun QI
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Director / Researcher
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Development Research Institute

Note: The information of Shenzhen experts in English is based on translation from Chinese.

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Mingjun ZHENG
General Manager
Shenzhen Chinese Language Media & Research
Institute

Shihong ZHENG
Manager
BCTS Travel Service (Shekou A. Best Sales
Department)

Bijia ZHONG
General Manager
Shenzhen He Song Culture Co., Ltd

Xiaobing ZOU
Manager
Shenzhen Consulting and Training Company

A5.3 Hong Kong Research Team



THOMAS, Hugh

Hugh Thomas is the Director of the Center for Entrepreneurship and an associate professor in the Department of Finance at The Chinese University of Hong Kong. He received his bachelor of arts in history from the University of Alberta, postgraduate diplomas in Chinese language from the Beijing Language and Culture University and history from Nanjing University, an MBA from the Chinese University of Hong Kong and a PhD in International Business and Finance from the Stern School of Business, New York University. He participated in founding China's first business school, the National Center for Industrial Science and Technology Management at Dalian in 1980 and subsequently worked in banking and consulting in Hong Kong for seven years. Prior to joining CUHK, he was an associate professor in the Finance Department of McMaster University in Canada.



AU, Kevin

Professor Kevin AU graduated from The Chinese University of Hong Kong with a B.B.A. and earned his Ph.D. in management/ international business at the University of British Columbia. He co-founded the CUHK Center for Entrepreneurship and has been an associate director. He also serves as associate director of the MBA programme. His research interests are international management, entrepreneurship, social network, and cross-cultural research methodology. He has published more than 50 academic articles and book chapters and served on the editorial boards of several academic journals. He has provided consulting and training for the government and business corporations. His clients include the Central Policy Unit, Hong Kong Cyberport, Ove Arup, and a number of business startups in Hong Kong.



LEUNG, Louis

LOUIS LEUNG is Professor of Journalism & Communication at The Chinese University of Hong Kong and was Assistant Professor at the University of Hawaii at Manoa. He currently serves as Director of Center for Communication Research and Founder of the MSc in New Media program. Dr. Leung teaches courses in new media, research methods, broadcasting, multimedia, and television production. His research interests focus on the uses and impact of new communication technologies. He is co-editor of *Embedding into Our Lives: New Opportunities and Challenges of the Internet* (HK: Chinese University Press, 2009) and *Impact and Issues in New Media: Toward Intelligent Societies* (NJ: Hampton Press, 2004). Some of his recent publications appear in *Journal of Broadcasting & Electronic Media*, *Journalism and Mass Communication Quarterly*, *CyberPsychology & Behavior*, *New Media & Society*, *Social Indicator Research*, *Telecommunications Policy*, *Telematics and Informatics*, *Asian Journal of Communication*, and *Gazette*.



CHAU, Wilton

Dr. Chau is the founder and Managing Partner of QLeap Asia. QLeap Asia manages the QLeap Venture Fund, a venture capital fund mainly for Asian seed and early-stage projects. Dr. Chau has over 24-year extensive experience in venture capital and direct investment. Portfolios managed by Dr. Chau cover near all Asian countries. Successfully completed investment projects ranged from US\$200,000 bio-informatic technology project to US\$ 28 billion infrastructure project.

He is the Lead-Consultant to the Incu-Tech Programme of the Hong Kong Science & Technology Park responsible for leading a team of consultants to advise technology incubatees in the Science Park regarding their business models and fund raising exercises. In addition, he serves the boards of several unlisted companies and the Board of Guangshen Railway Company Limited, a Chinese state-owned company listed in Shanghai, Hong Kong and New York stock exchanges. As an Adjunct Professor at The Chinese University of Hong Kong, he teaches: "Private Equity & Venture Capital" and "New Venture Business Project (Fund Raising for Entrepreneurial Venturing)" in the MBA program of the university.

In addition to his professional qualification as a chartered certified accountant, Dr. Chau has a bachelor degree in applied mathematics, a law degree, a master and a doctorate degree in business administration.



SUEN, Bernard

Bernard has worked in the creative, ICT, and education industries for over twenty years with domestic, PRC, and International consulting and management experiences. He has served in various top management and operational positions for both listed and private companies.

Since 2001, Bernard has developed courses such as new media entrepreneurship, new media product development, technology entrepreneurship, and management for creative industries for Chinese University of Hong Kong. He also conducts workshops and seminars related to design, innovation and entrepreneurship for other private and public organizations. The 7+1 programme on Entrepreneurship for Design and Creative Professionals jointly organized by Hong Kong Design Centre and CUHK Center for Entrepreneurship is one of such workshops.

Currently, Bernard is a project director of CUHK Center for Entrepreneurship, focusing primarily in the promotion and coordination of projects related to creative industries. He is also advisors to several public and private organizations in the creative sector. Since September 2009, he has been conducting a research project funded by the CreateHK Office together with Professor Kevin Au, to study the roadmaps of successful design entrepreneurs.



TSOI, Mingles

Mingles Tsoi received a bachelor degree in business administration from The Chinese University of Hong Kong and an accounting degree from the University of Australia. He is an entrepreneur owning his own consultancy company.

Prior to starting his own company, he was a director in Professional Alliance Consultants Ltd providing executive search consultancy services to banks and IT firms. Besides sourcing human capital Mingles also specializes in fund raising for startups.

He joined the CUHK Center for Entrepreneurship as Project Director since 2007, with the primary mission to organize the first and the only inter-collegiate social ventures business competition in Hong Kong namely "Hong Kong Social Enterprise Challenge", an inter-collegiate social business plan competition to help turning creative business ideas into meaningful and sustainable commercial ventures that promote social good.

Besides entrepreneurial activities, Mingles is also enthusiastic in youth development. He contributes his experience and knowledge in providing voluntary mentoring and business training services to the Youth Business Hong Kong and Junior Achievement Hong Kong. He is one of the executive council members of the United College Alumni Association of the CUHK and the Founding Chairman of AIESEC Alumni Association of Hong Kong.



HO, Florence

Trained as a human resource management generalist, Florence obtained her doctorate in human resource development and organization development from George Washington University, 2006.

She has given presentations at numerous major international and regional conferences, and managed/led a number of consulting projects commissioned by OECD, UNDP and the World Bank. Her recent papers entitled “Entrepreneurial Learning – A Phenomenological Study” and “Leadership Development through Formal and Non-formal Education” were also published in the Journal for the Academy of Human Resource Development – Asian Chapter.

She has extensive corporate experience as a senior executive, having worked in both public and private sectors. She is a Fellow of the Hong Kong Institute of Human Resource Management; Chartered Member of the Chartered Institute of Personnel & Development (CIPD); and State-certified Master Enterprise Trainer; and Member, American Society for Training and Development.

Currently, she serves as Adviser (Asian Region), World Institute for Action Learning and works as Senior Lecturer with the School of Professional Education & Executive Development (SPEED), Hong Kong Polytechnic University.

A5.4 Shenzhen Research Team



WANG, Weili

Director and Researcher of the Development Research Center of People's Government of Shenzhen Municipality and the Institute of Chinese Culture of Shenzhen Academy of Social Sciences. Ph.D. of Fudan University and Ph.D. in History of The Chinese University of Hong Kong. Currently, his major research areas are cultural and creative industry in Shenzhen and Hong Kong, creative culture in Shenzhen, development planning of creative industry and development planning of cultural industry.



SHI, Jianling

Researcher of the Development Research Center of People's Government of Shenzhen Municipality and the Institute of Chinese Culture of Shenzhen Academy of Social Sciences. Ph.D. student of Xi'an Jiaotong University. Currently, her major research areas are development of cultural industry in Shenzhen; sustainable development strategies in Shenzhen and development of information industry.



ZHANG, Jun

Research Associate of the Development Research Center of People's Government of Shenzhen Municipality and the Institute of Chinese Culture of Shenzhen Academy of Social Sciences. Master of Arts of the Humanities School of Central China Normal University. Currently, his major research areas are study of contemporary Chinese poems, cultural and creative industry in Shenzhen, creative culture in Shenzhen, development planning of cultural industry and development planning of cultural undertakings.



TIAN, Huan

Research Trainee of the Development Research Center of People's Government of Shenzhen Municipality and the Institute of Chinese Culture of Shenzhen Academy of Social Sciences. Ph.D. candidate of Columbia University. Currently, his major research areas are law history of China and urban culture in Shenzhen.



YAN, Lina

Research Trainee of the Development Research Center of People's Government of Shenzhen Municipality and the Institute of Chinese Culture of Shenzhen Academy of Social Sciences. Master of Arts of Shenzhen University. Currently her major research areas are social investigation, cultural and creative industry in Shenzhen and development planning of cultural undertakings.