

Summer 2014

# The Myth of the Immigrant Entrepreneur

Daniel Thorson  
drthorson@pugetsound.edu

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## Recommended Citation

Thorson, Daniel, "The Myth of the Immigrant Entrepreneur" (2014). *Summer Research*. Paper 229.  
[http://soundideas.pugetsound.edu/summer\\_research/229](http://soundideas.pugetsound.edu/summer_research/229)

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# The Myth of the Immigrant Entrepreneur:

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## Hunting Unicorns in Asia's World City

Daniel Thorson

8/10/2014

Abstract: In this paper, I examine the unique business environment with regard to Small- to Medium-sized Enterprises that has manifested in Hong Kong over the last two decades, looking especially through the lenses of financial and immigration regulations as well as cultural considerations. Business in Hong Kong is presented with an unprecedented opportunity in the form of its open regulatory environment, but how do the regulations in place currently contribute to or subtract from entrepreneurial pursuits? I propose that even with Hong Kong's immigrant industrialist legacy and reputation for free business with well-endowed financial institutions, it is impossibly difficult to become an "immigrant entrepreneur" as defined herein. This means an individual who starts with nothing – no education, no experience, no capital, and no connections – in a foreign country. Although it may have been possible, even easy, in the past, it no longer is as a result of both restrictive policies and economic development trends, both of which will be explored in this paper. This conclusion has been reached by a combination of policy analysis, scholarly literature review, and sociological study of the business environment in Hong Kong.

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## **Introduction**

Everyone knows the story: a man, far from home, steps off the boat with a new name in a new country. With nothing but the clothes on his back and a steely glint in his eye, he sees opportunity all around him. One day, he dreams, I will be the most successful businessman in this country. Maybe he starts off selling newspapers and slowly but surely builds a media empire. Perhaps this man finds work in a factory and, decades later, goes on to become a powerful industrialist.

At one point in history, it may have been possible, even unavoidable, to travel far from home and truly create something from nothing: an authentic “immigrant entrepreneur”. This idea comprises the cultural heritage of many peoples and entire nations, most famously the United States. However, Hong Kong also has this reputation and the notion is culturally relevant there in modern times. Often described as a nation of immigrants in the same manner as the US, Hong Kong’s history is rife with waves of immigrants fleeing conflict on the mainland or in other surrounding areas. These people often arrived in desperate conditions, and yet slowly built the thriving, wealthy metropolis seen today.

However, it seems to be no longer possible to achieve this even basic level of entrepreneurship. Many of the old opportunities found in Hong Kong have vanished, outsourced around the world due to the rapid economic development of the city and globalization of the rest of the world. Additionally, policies have changed drastically, making it ever more difficult for individuals to gain permission to do business. At one time, any individual who made it to Hong Kong could gain permanent residency – now refugees in similar situations are prevented from working at all. Previously unrestricted sole proprietorships now find themselves under the same

burden of licensure as corporations. Hong Kong has been cited as one of the top five places in the world to launch a startup<sup>1</sup>, but just how easy is it really?

In this paper, I explore whether or not it is possible in modern Hong Kong to become a true “immigrant entrepreneur”, specifically as defined below. I conclude, unfortunately, that it is impossible. Through interviews with over fifty foreign entrepreneurs in Hong Kong, a personal attempt, analysis of existing policies, and an overview of the current economic and historic context, I outline the major issues facing immigrant entrepreneurs and explain exactly why creating something from nothing is impossible, even in a place with such a renowned reputation for free and easy business. These issues can be grouped into three major categories: immigration, finance, and culture. Each of these categories has repercussions for the others, as well as subcategories of issues within them.

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<sup>1</sup> Maida, Jesse. "Top 5 Places in the World to Launch a Startup." Business Vibes. August 12, 2014. Accessed August 15, 2014. <http://www.businessvibes.com/blog/top-5-places-world-launch-startup>.

## Methodology

The methodology for this research is based loosely on the 1993 Terpstra and Olson study: an open-ended survey of 105 CEOs of “emerging organizations”. This current study however is a slightly smaller but more geographically-focused sample size, although the method of SME categorization remains the same. Additionally, Olson and Terpstra’s purpose was to identify and categorize various problems faced by SMEs in various stages of growth, while the purpose of my study is to identify problems faced by SMEs in Hong Kong specifically and use this information to provide a policy analysis of several of the most relevant issues.<sup>2</sup>

The bulk of the research conducted for this project has been sociological in nature – interviewing participants and becoming a participant myself provided the majority of my relevant findings and contributed the most to my conclusion. Of course, making use of existing scholarly literature has also played an important role in my research.

The nature of the proposal required me to attempt to make as many connections while still in the US as possible. This type of remote networking is very challenging and I experienced the most success in making connections when I actually traveled to Hong Kong and spent some time there. It is often said that networking is the key to business success, and I have heard this wisdom repeated with especial fervor regarding Hong Kong. In my experience, it is every bit true. After a quick Google search, I was able to fill the first two weeks of my stay in Hong Kong with local networking events. After only the first three of these, I had collected over twenty business cards from interested parties relevant to my research. Some of these I was able to meet with in person and some of them I corresponded to only via email. These contacts in turn also provided me with contacts of their own, so once I got a good start it was relatively easy to

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<sup>2</sup> Terpstra, David E., and Philip D. Olson. "Entrepreneurial Start-Up And Growth: A Classification Of Problems." *Entrepreneurship: Theory & Practice* 17.3 (1993): 5-19. Business Source Complete. Web. 22 July 2014.

continue the cycle. The first thing to learn about Hong Kong is that the entire city is networked within itself, and it is relatively easy, compared to other cities, to make connections and ultimately meet with the right individuals.

With regards to becoming an “immigrant entrepreneur” myself, the undertakings in this case are purely supposed. While it certainly would have been a possibility to engage in the process to some extent, I did not have the funds nor the time required to spend on such a hypothetical venture – especially one in which the answers were so clear right from the start. Additionally, the lack of funding only served to strengthen my pretended position as an immigrant of sorts and proved to make the obstacles even more insurmountable. This topic will be addressed fully later.

All information gained from interviews is presented anonymously in this paper, with background information given on a subject when it is useful to inform the context of the interview or the particular opinion expressed. For each issue faced by entrepreneurs I have selected one “case study” sorts which exemplifies the challenges faced by many. Although this is merely one case out of the fifty or so I’ve encountered in Hong Kong, this case study is chosen as a typical encounter, with their experiences often mirrored by others in similar situations.

It is important to note that there is also a strong survivorship bias present in my methodology here. It stands to reason that the only entrepreneurs with whom I would have the opportunity to meet would almost by definition be successful in order to be remaining in Hong Kong. Many of the potential subjects who have definitely failed would not remain long in Hong Kong, nor would they be present at the type of events I attended.

As a result of this, my results are skewed slightly towards the perspective of successful entrepreneurs, but this is not exactly a methodological flaw per se. Even successful businessmen

face challenges, and it is often these challenges that are the greatest for the unsuccessful group. By interviewing only successful subjects, I have accounted for one of the most unpredictable and difficult to survey variables, and that is the skill and business ability of the entrepreneur. Unsuccessful entrepreneurs may have failed due to Hong Kong's political or business environment (the focus of this paper), or they may have failed due to an inherent lack of ability. Which is the case is often too difficult to accurately assess, so by allowing for some survivorship bias in my methodology, I have been able to rule out this latter possibility to some extent.

Additionally, Hong Kong was chosen as the location of the study due to a variety of factors. Part of this decision was admittedly made out of some strategic convenience: Hong Kong is geographically very condensed. At almost any place in the city, on either side of the bay, one is no more than an hour or an hour and a half from anywhere else in the city. This facilitates attending events and interviews as opposed to any other country in which a researcher may have to travel for several hours and plan an overnight stay in order to attend an event or meet with a subject. Another factor in the choice of Hong Kong is that it is renowned as an international hub of business and economic freedom. The fewer policies there are in a given business environment, the more clear the effects of the policies that are present. A study of Hong Kong results in a more controlled experiment, so to speak.

Other factors include both the ease and importance of networking in business. As a student with few connections, I needed a way to be able to build my own network and operate through that. Finally is the recent cultural developments regarding small businesses – start-up culture is becoming ever more present in Hong Kong with each passing year, when a decade ago it was unheard-of. This “emerging market” represents a fine opportunity to examine the way these environments are shaped and formed.

## **Definition of Immigrant Entrepreneur**

Because this paper concerns itself exclusively with the idea of the immigrant entrepreneur, it is of course a necessary exercise to outline exactly what is meant by this and why, in modern times, this concept can be equated to a unicorn. It is common for individuals to immigrate to another country and begin business operations of some sort, thereby technically becoming for some intents and purposes an “immigrant entrepreneur”. However, this is not what I mean.

The definition of “immigrant entrepreneur” that is useful to keep in mind for a reading of this paper is not the modern idea of simply a foreigner with a hefty bank account but rather the old-fashioned, more culturally-engrained narrative of the impoverished individual stepping off the boat with nothing but a can-do attitude, a few dollars in his pocket, and the clothes on his back. This man, imbued with the American Dream, or the spirit of Hong Kong, means to work hard and make his fortune in a new land, something from nothing. While a still popular (and nonetheless inspiring) narrative, I maintain that this activity is no longer possible in modern times, even in a place known for its ease of doing business and freedom of commerce. Whether this was truly possible at any point in past history is another point of debate entirely and beyond the scope of this essay.

This means that when I say “immigrant entrepreneur”, I refer to a very specific set of criteria which must be true upon arrival to Hong Kong:

- Very little capital/funding resources
- No formal education
- No political connections
- No pre-existing foreign business operations

- Entirely legal immigration and domestic operations

This idea is especially culturally relevant in Hong Kong. Similarly to citizens of the United States, Hong Kong residents like to think of themselves as a nation of immigrants – indeed, very few individuals lived on the island here when the British colonists decided to leave their legacy there. Hong Kong’s history, as we’ve seen, is characterized by a series of waves of industrialists and entrepreneurs from mainland China and elsewhere. So this idea of the “immigrant entrepreneur” as I define it is a popular notion in Hong Kong even more so than anywhere else, reinforced by the very strong pro-business political attitude.

That being said, it is no longer possible to achieve this in Hong Kong. Of the more than fifty individuals interviewed and examined during the course of this study, not a single one fit the criteria outlined above. On top of that, the overwhelming sentiment among these foreigners is that my criteria were also quite impossible to fit with modern regulations. This is why I like to describe my research, partially in jest, as “hunting unicorns”. The immigrant entrepreneur does not exist in Hong Kong and remains a mythical beast of the magic kingdom, a character of a cultural fantasy-land from a time long past. Indeed, most entrepreneurs today do not create something from nothing, but rather they create something big from something small. These individuals could more accurately be thought of as investors of sorts: investing their time, their social or financial capital, or their relationships in order to gain positive returns.

**Definition of SME:**

Throughout this paper, for the sake of variety, multiple terms such as “small business”, “SME”, and “startup” will be used. Within the context of this paper, each of these words means the same thing, although other authors and other studies may include some form of differentiation. For our purposes here, the definition will simply be concurrent with that of the Hong Kong government: fewer than 100 employees in manufacturing and industry, and fewer than 50 employees in any service-oriented sector.<sup>3</sup> Use of the terms “SME”, “small business”, “startup”, or other similar words all refer to firms or companies which fit this definition. Terms such as “large enterprise” or “institution” clearly do not apply.

The Hong Kong government does not officially distinguish between SME and non-SME in terms of annual revenue, and revenue figures have not been included as a significant part of this study. For example, a firm employing 20 individuals and having an annual income of HK\$100 million is considered an SME in this study, while a firm employing 51 individuals with an income of only HK\$20 million would not. It is important to note however that in some cases revenue is a necessary piece of information and relevant to the discussion, especially in terms of certain government funding programs which place a limit on the revenue of businesses which are considered eligible for the program. These considerations will be examined later in the respective section.

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<sup>3</sup> "SMEs in HK." Support and Consultation Center for SMEs. March 1, 2014. Accessed August 18, 2014. [http://www.success.tid.gov.hk/english/lin\\_sup\\_org/gov\\_dep/service\\_detail\\_6863.html](http://www.success.tid.gov.hk/english/lin_sup_org/gov_dep/service_detail_6863.html).

## Li Ka-Shing's Story

One figure from the history books who best fits these criteria is Li Ka-Shing, Hong Kong's wealthiest business tycoon and indeed a bit of a folk hero. Li is a fine archetype of my "immigrant entrepreneur" for three reasons: the utter baseness of his beginnings, the incredible heights of his current success, and the cultural resonance that his story carries in Hong Kong. Li has said, in an interview with *Forbes* as part of the "Top 10 Rags to World's Richest" series, "The burden of poverty and this bitter taste of helplessness and isolation sort of branded on my heart forever the questions that still drive me. Is it possible to reshape one's destiny?"<sup>4</sup> In Li's time, going literally from rags to riches in Hong Kong seemed entirely possible and his achievements are celebrated still today. These same achievements, however, are no longer possible in the same way.

In 1940, the Li family fled from China to Hong Kong, one of many refugees of the Sino-Japanese war. Li was only twelve at the time and the son of a primary school administrator in China. The family's poverty was exacerbated later that year by the tuberculosis-induced death of Li Sr. As a result, Li dropped out of school and went to work full-time as a local salesman in order to support his family. After a decade of selling watchbands, belts, and other street trinkets, he started operations with his own plastic factory and struck a profitable market exporting plastic flowers to the United States. From here, it was a matter of smart investing and conglomeration. Li used capital acquired from his plastic flower business to purchase the original factory that he was leasing prior to 1958, and then acquired many parcels of land throughout Hong Kong at discounted prices due to the 1967 riots<sup>5</sup>. A string of acquisitions and mergers in various

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<sup>4</sup> Li Ka-Shing, "Li Ka-shing Opens Up About His Early Years," Interview by Luisa Kroll. *Forbes*, 10 May 2010. Online.

<sup>5</sup> "Li Ka-shing 1928- Biography." Reference for Business. January 1, 2014. Accessed August 11, 2014. <http://www.referenceforbusiness.com/biography/F-L/Li-Ka-shing-1928.html>.

industries brings his net worth today up to approximately \$34 billion primarily through the Hutchison Whampoa and Cheung Kong Holdings companies<sup>6</sup>.

This story of a man making something out of nothing seems truly to be the essence of the “immigrant entrepreneur”. Clearly Li began with no start-up capital or angel investors; there were no political connections or advantages through his family; he did not have even a high school education when he began his career. Li needed to apply for no visa: “Until the formation of the People's Republic, Hong Kong had a virtual open door policy with the neighboring province of Guangdong. Chinese residents had virtually complete freedom of movement between the colony and the mainland in regards to commuting for employment (to Hong Kong) and the visitation of family.”<sup>7</sup>

Li Ka-Shing is currently the most wealthy man in Hong Kong and maintains an almost celebrity-like status. He is very frequently cited as a fantastic success story by those who tout the ability of this city to turn any hard-working everyman into gold. Very rarely does a day go by without his name invoked in some local newspaper, or his real estate trading scrutinized by specialists. He is the only non-artist to have wax statue in Hong Kong made in his image. According to one Forbes article which calls him a “Miracle” of Hong Kong, he has been nicknamed “Superman” as a result of his ability to nail a business deal.<sup>8</sup> Because of all this, he can arguably be said to maintain something of celebrity status, and his story is still used to inspire new generations of up-and-coming Hong Kong youth.

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<sup>6</sup> "Li Ka-Shing Profile." Forbes. August 11, 2014. Accessed August 11, 2014. <http://www.forbes.com/profile/li-ka-shing/>.

<sup>7</sup> Houf, Michael. "'Protect Our Borders:' Immigration and Identity in Post-War Hong Kong." World History Connected, University of Illinois. January 1, 2011. Accessed August 11, 2014. <http://worldhistoryconnected.press.illinois.edu/8.2/houf.html>.

<sup>8</sup> Schuman, Michael. "The Miracle Of Asia's Richest Man." Forbes. February 24, 2010. Accessed August 14, 2014. <http://www.forbes.com/2010/02/24/li-ka-shing-billionaire-hong-kong-richest-opinions-book-excerpt-michael-schuman.html?boxes=Homepagelighttop>

Li Ka-Shing is Hong Kong's model immigrant entrepreneur. He created a big something from a very little nothing and is rightly revered as a local hero and investment guru. But what was it about Hong Kong's business and political environment that allowed him to thrive? What is it about Hong Kong today that prevents others from following in his footsteps?

## Current Political and Cultural Context

“Hong Kong’s government doesn’t know which master to serve: on the one hand, there are the people, but Hong Kong is not entirely democratic. On the other hand, there is the influence of Beijing to consider. And then on some level the government is certainly beholden to big business interests, but it can’t serve them exclusively either.”

This is the current political atmosphere of Hong Kong as communicated by one government official during an interview process. The quotation itself seems to be an adequate summary, but a bit more depth is needed. First of all, Hong Kong has a reputation for its pro-business policies and its globally significant financial institutions, behind only New York and London in terms of importance. According to both the Heritage Foundation’s Index of Economic Freedom and the World Bank’s Doing Business Index, Hong Kong is one of the most economically liberated regions in the world<sup>9,10</sup>. Only Singapore seems to offer any direct competition, both geographically and politically.

However, Hong Kong is not a fully democratic society, and one of the few so economically advanced in the world today. Residents have the right to vote for less than half of their representatives, not including the Chief Executive.

Out of this issue comes a common concern among local Hong Kong residents and a constant topic of discussion in the media: the ever-growing influence of Beijing in the daily political goings-on of Hong Kong. Indeed, when the former British colony was handed over to mainland China in 1997, there was a significant exodus of individuals, both of Chinese and

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<sup>9</sup> "Economy Rankings." World Bank: Doing Business Index. January 1, 2014. Accessed August 14, 2014. <http://www.doingbusiness.org/rankings>.

<sup>10</sup> "2013 Index of Economic Freedom." Heritage Foundation. January 1, 2013. Accessed August 24, 2014. <http://www.heritage.org/index/>.

British ethnicity, who fled Hong Kong in favor of more stable political climates. Many ended up in Canada, the UK, or the US.<sup>11</sup> However, the People's Republic is content with abiding by the unique "one country, two systems" rule that was set up during the handover – for the time being.

Under this "one country" system, the governments of mainland China and Hong Kong have separate responsibilities. Hong Kong manages its own immigration, customs, public finance, and court systems for example. Meanwhile China is responsible for providing military defense and international diplomacy. While these separate systems have been steady for some time, it seems to be a common opinion that the influence of the mainland government is growing year by year, to the chagrin of many (albeit not all) Hong Kong residents. A recent white paper published by the government in Beijing formally laid out its "one country, two systems" rule and asserted Beijing's pre-eminence over Hong Kong. Some see it as a routine clarification, while others see it as scare tactics timed to squash the recent pro-democracy movement.<sup>12</sup>

Another example, not of the reach of Beijing but of the concern surrounding it, is the recent Transformers movie. Widely panned by critics as hardly more than a consumer-driven piece of advertising, its pandering to the newly emerging Chinese market did not go unnoticed by local Hong Kong residents. In one scene, while the Transformers are laying waste to the Hong Kong skyline, an official recommends calling Beijing for military assistance. This scene – one line, fewer than five seconds – caused quite a stir in the community as supposed evidence of the increasing overreach of Beijing's control (although others did recognize the fact that Hong Kong does in fact rely on the mainland government for military protection).

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<sup>11</sup> Manion, Melanie. [2004](2004). *Corruption by Design: Building Clean Government in Mainland China and Hong Kong*. Harvard University press. ISBN 0-674-01486-3.

<sup>12</sup> "Beijing Emphasises Its Total Control over Hong Kong in White Paper." *South China Morning Post*. June 11, 2014. Accessed August 6, 2014. <http://www.scmp.com/news/hong-kong/article/1529300/beijing-reasserts-its-total-control-over-hong-kong-white-paper>.

Another important aspect of Hong Kong today is the significance and relative maturity of the financial market. Hong Kong is often compared to New York and London in terms of global influence, and although the Hong Kong stock exchange cannot compare to that of New York in terms of trade volume and market capitalization, it has similar institutional power and easier access to Southeast Asian and Chinese emerging markets. Hong Kong has no capital gains taxes, making it a very attractive place for global investors to place some of their capital. However, the majority of assets in Hong Kong are in institutional vehicles such as hedge funds or tied up in the lucrative real estate market – private venture capital, angel investors, and the like as they relate to startups are almost unheard-of. Culturally, Hong Kong is traditionally a very risk-averse investing environment, and this is clearly reflected in the general trend of investment behavior there.

But although the government may not serve a single “master”, it certainly seems in a well-intentioned attempt, at the very least, to promote what is arguably best for the city, whether this means protecting the interests of large financial institutions, cozying up to Beijing, or attempting to become more democratic.

## Overview of Issues

The issues by small businesses, startups, and entrepreneurs are varied, nuanced, and quite multifaceted. Each one by itself, and each particular aspect of any issue, could generate enough information and speculation for an entire full-length report on its own. Here I will present an overview of the issues as I've encountered them, and then break out into more detailed examinations. Note that full coverage of any one issue in-depth is beyond the scope of this more survey-oriented study. Each issue in particular can be related and understood by means of an individual case uncovered during the interview process

### Immigration:

Hong Kong additionally is renowned as a “world city” – a cosmopolitan for people from all regions of the globe. Most people are able to visit for some time without a visa, and once they're here, they can enjoy authentic Mexican cuisine in a British neighborhood on their way to a traditional Chinese performance. At the same time, however, it can be difficult to establish a business in Hong Kong as a foreigner. Visa regulations can be stringent and selective, even with Hong Kong's “light touch” policies. How can a foreigner establish a business in Hong Kong and how does this process compare with other competitive regions? And once they're here, how easy is it for a SME to attract the necessary talent? Simon Squibb, an angel investor from the UK, has said on multiple occasions that of all problems facing entrepreneurs in Hong Kong, immigration is the largest.

### Finance:

Hong Kong is world-renowned as a global hot-spot of finance ranking just below London and New York. The Hong Kong Dollar is one of the most-traded currencies in the world and the stock exchange is the sixth-largest in the world. In the words of one finance professional,

regulations here are “very forgiving. We are able to take action first and think of the legal ramifications later. This makes for an extremely fast-moving and competitive environment.”

(Adam). But how does this looseness, a clear advantage for large institutions, translate to SME operations in Hong Kong? Additionally, does the public policy structure make it a more or less attractive option to invest in Hong Kong SMEs and are there any alternatives available for those who cannot secure private funds?

Culture:

Culture in Hong Kong is again somewhat of a curious mixture. Traditional and relatively conservative Chinese values come into direct contact with very different Western practices, resulting in a unique environment like nowhere else in the world. The largest issues of culture which affect the business environment and entrepreneurship particularly are the issues of face and guan xi. These two concepts explain much and are the root cause responsible for many other issues, such as the pressure on young people to shirk entrepreneurship in favor of a career in finance or law. Another aspect of the culture of Hong Kong is the educational system and the outside opinion of it.

## **Immigration Case Studies**

Issues of immigration as they relate to entrepreneurs in Hong Kong can be largely broken into three categories: visa requirements and difficulties for the individual entrepreneur; the relationship between talent recruitment and local hiring; and the specific situations of Filipino immigrants and economic refugees. Of course, each of these issues is complicated and interconnected with other issues, but these are the basic ideas accompanied by analysis of each study.

First and foremost in importance is the issue of the entrepreneur himself actually obtaining the visa necessary to conduct business. This obstacle, for the most part, is generally swept under the rug in my discussions with businessmen and women in Hong Kong because these individuals found the process quite easy. In fact, the word “straightforward” was used with surprising consistency. The vast majority of the subjects in this study had no problems with obtaining a visa. However, this is the most significant and negative way in which the survivorship bias present in my methodology affects the outcome of the research. It stands to reason that most people who successfully have received visas would have found the process easy, and that those who failed to obtain visas could not remain in Hong Kong for long to meet with me. It is also true that all subjects had something to “bring to the table”, so to speak, of the Department of Immigration. Many had advanced degrees, foreign language skills, or personal connections – all had prior experience. Applying for a visa in Hong Kong in many ways is a fitness test of business ability, and most subjects passed with flying colors.

However, there were several subjects that more closely resembled an unskilled immigrant with entrepreneurial ambitions, and these naturally experienced problems with immigration and obtaining a visa. One man in particular seems representative of the issue – we’ll call him Jordan.

Jordan was born and raised in France with an interest in the relationship between the English and French languages. After graduating from university with a linguistics degree, he moved to mainland China with his then-girlfriend, simply because they both shared a dream of living in Asia. Unable to find work in China, Jordan registered a business in Hong Kong and was able to do translational work in a free-lance capacity in China. Some time later, he decided to move to Hong Kong, drop the free-lancing and try to create an agency. It was at this time that he began to encounter visa issues that seriously hindered his ability to create a business.

Even with prior experience in Asia and a university degree, Jordan was not successful in obtaining an investment visa. He did not have the necessary amount of funds, and what little funding he did have dried up as he waited for his visa to come through. As it turns out, the immigration department actually encourages business operations while a visa application is processed, trusting the good faith effort of the entrepreneur in the meantime. This is knowledge that Jordan did not have and was not explicitly stated, and ended up being a major cause of his visa denial.

A second important issue related to immigration is the relationship between talent recruitment and local hiring. This is a complicated problem with several subsections, including the dynamics of raising a family in Hong Kong; the difficulty of hiring foreign low-skill laborers; and both the cost and quality of living in Hong Kong. Many of these issues also have cultural and financial ramifications for entrepreneurs and small businesses, but those facets will be considered later. Quite a few expats interviewed during the course of this study cited the education system in Hong Kong as one significant deterrent in both them staying in Hong Kong and for hiring other expats like themselves. English schools are relatively rare and expensive, the educational system in Hong Kong places a huge amount of pressure on children from a very

young age. This can be quite off-putting to new families. Additionally, Hong Kong comes with serious environmental concerns: one individual explained that Hong Kong actually was considered a hazardous assignment for expats under Canadian labor laws.

Regarding unskilled labor, many small businesses are caught in a catch-22 of sorts between the letter of the law and the culture of the city. Most Hong Kong locals are highly educated, making them unwilling and too overqualified to perform low-wage work. This means unskilled labor can be difficult to find among Hong Kong residents. However, it is equally difficult to attempt to gain a visa for unskilled labor, since the visa application process is a sort of screening of individual ability and specialization. Applicants must show that their skills cannot be found in Hong Kong, and this is difficult to show with unskilled labor.

The final major problem of immigration in Hong Kong is that of the Filipino community and the various nationalities of refugees. While these groups are distinct, socially and legally, they are comparable within the scope of this paper and will be grouped together here. Essentially, as difficult as it is for entrepreneurs of Western origin to obtain a visa, it is even more impossible for these two groups. Filipinos largely arrive in Hong Kong as domestic workers and are therefore treated differently under employment and immigration law, while refugees are explicitly barred from making any kind of economic contribution or gain beyond their support stipends.

Many interview subjects and other Western entrepreneurs share a similar backstory of coming to Hong Kong for a pre-existing job, working for seven or more years, and then receiving permanent visa-less residence, allowing them the freedom to do anything in Hong Kong. Domestic workers do not have this opportunity, even though they may live and work in Hong Kong for many decades, because they are under an entirely different immigration scheme.

Contracts last for two years, and at the end of these contracts, domestic workers must leave Hong Kong and “reset” their residency calendars, so to speak, and therefore never reach the required minimum of seven years.<sup>13</sup>

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<sup>13</sup> "Topical Issues: Right of Abode and other related terms". Immigration Department of HKSAR. 14 February 2007. Archived from the original on 15 March 2007. Retrieved 18 March 2007.

## Finance Case Studies

Finance is, of course, the first concern of any business. Without adequate funding and revenue, the business cannot exist in the first place. With this in mind, the financial issues cited here can be found anywhere where business is done – difficulty of obtaining funding, high overhead costs, few individual private investors, and the debate surrounding government programs – but these concerns are especially relevant to Hong Kong and framed in their significance to Hong Kong’s business environment in particular. Also note that the issue of high overhead costs, or the cost of doing business, is mostly made up of a discussion regarding rent and real estate. There are very few other costs so disproportionately great and therefore this particular aspect of the issue is the elephant in the room, so to speak, in Hong Kong.

The first and most basic of financial challenges facing SMEs in Hong Kong is very simply the cost of doing business. Although many consumer items found here are cheaper than in many other places, many beginning entrepreneurs find the cost of doing business – and particularly that of real estate – to be the greatest hurdle. Some have claimed that this aspect of Hong Kong has put them out of business more than once, while others say it is merely an excuse claimed by those who are unsuccessful for other reasons. When asked of her opinion on how to overcome this challenge, one subject simply said, “Work harder and make more money! As simple as that.”

Due to the nature of real estate in Hong Kong, and anywhere else for that matter, space-intensive ventures tend to be disproportionately costly compared to others. Warehousing is expensive, gyms are incredibly exorbitant, and restaurants offer significant discounts for take-out meals. One interview subject, a Nepalese owner of an Italian restaurant in Hong Kong’s SoHo district, struggled with this problem very directly. Arriving as a refugee in the 1980s, he had

relatively little trouble with immigration, obtaining permanent residency, building up a nest egg as a restaurant manager, and launching an eatery of his own in 1995. Since then, rent has risen dramatically for many tenants but due to the intense competition, prices have stayed compressed. The owner's margins are squeezed so thin that he may be pushed out of business soon, and this experience is not unique.

Almost every single subject interviewed regarding problems in Hong Kong's business environment cited the cost of doing business (and real estate as the primary cost) as a major obstacle – even entrepreneurs who were not engaged in brick-and-mortar business such as tech start-ups and consultants. However, these problems are exacerbated in the food and beverage and retail markets. Tech start-ups very often can locate wherever in the city they would like, and there are some affordable options for office spaces. Restaurants for example on the other hand are generally restricted to a tighter geographic area if they are to attract the necessary volume of clientele, and these areas are generally much more expensive than the surrounding suburbs or outlying districts.

The greatest cause of this real estate crunch is simply the nature of Hong Kong and the geography of the place itself. Hong Kong is located on a relatively small island with territory on the northern mainland side of Hong Kong Harbor. There is quite a bit of undeveloped land in this area, called the “New Territories”, and while rent is significantly cheaper there, there are a few complications associated with it. First of all, the majority of business takes place on the north side of Hong Kong Island. It is the heart of the city and considered “downtown”, with the major finance and retail centers located there. The vast majority of non-Chinese immigrants live and work in this area. Second, according to Hong Kong law, individual people are not allowed to actually own land themselves, but rather land is leased from the government for a period of one

or two hundred years. This creates a major dampening effect on development projects which may ease the ever-tightening real estate market. A lease, even for the lifetime of the developer, is not as attractive as owning the land. And furthermore, if the government decides not to auction these leases, as has been happening recently, then no new development can take place.

Interestingly, this creates a system wherein a group of investors, institutional or otherwise and having a majority of their wealth in real estate, actively attempts to restrict the real estate market creating positive growth in their assets. One hypothesis, mentioned by more than insightful interviewee, suggests that the real estate restriction is purposeful and calculated. “Due to the conservative nature of finance in Hong Kong, most of the money is tied up in real estate. These real estate owners are very powerful and can lobby the government to effectively make themselves wealthier,” said one individual. Whether this is true or not remains to be seen, but it is true that Hong Kong residents do not live in a complete democracy and are therefore unable to represent themselves fully in local government.

Another regular talking point regards the role of government programs in Hong Kong’s start-up environment. There are prominent voices on both sides of the issue: those who claim that government assistance, financial or otherwise, is essential to developing an internationally competitive community of SMEs. At the same time, there are those who claim that small businesses and start-ups are better left alone and that government programs create perversions in an otherwise efficient market. Hong Kong currently has several financial programs designed to assist the development of small businesses, but they all take the form of loan guarantees or other matching programs – none are in the form of direct subsidies or tax breaks, and they all have been reported by interview subjects to be extraordinarily time-consuming, almost to the point of uselessness.

The third and final issue regarding the financing of small businesses is simply the difficulty of obtaining funding in Hong Kong's financial markets. Although this market is highly advanced and one of the most dynamically wealthy in the world, it is relatively immature when it comes to the unique needs and opportunities presented by start-ups. Angel investors and private venture capital funding is relatively difficult to come by, and when they are found, these investors are usually inexperienced in the startup realm. Compare this situation to Silicon Valley, for instance, that paragon of startup culture, where nearly every angel investor and VC firm has personal and in-depth experience themselves in entrepreneurship. The vast majority of private capital is already tied up in the stock market or the real estate market, much more conservative and "safe" options than venture capital in startups. This ties in with the idea of "face" explained below, and is one of the reasons why it is much more difficult to obtain funding as a small business in Hong Kong than in Silicon Valley. Additionally, Hong Kong banks are increasingly hesitant to give out business loans without a great deal of paperwork and collateral insurance – something that a small tech startup would not be able to fulfill.

## Culture Case Studies

Cultural issues in Hong Kong play an important role in the local business environment, but they are arguably not caused by nor can they be fixed by changes in governmental policy. Although Hong Kong is not fully democratic, it still seems true that policy reflects the attitudes of the people, rather than vice versa. This can be seen in examining several issues in which culture plays a role in influencing policy. One example could be the strong nativist culture keeping the immigration standards set exclusively high. In this section, each issue will be presented and analyzed in terms of its effects on both other issues and entrepreneurship generally, using individual cases as examples. These issues include an examination of the idea of “face”, the attitude regarding government and bureaucracy, and the relatively underdeveloped startup culture.

One of the most interesting and by far contentious issues of culture in Hong Kong is the unique combination of aversion to and deference for governmental bureaucracy. Many individuals and groups of individuals seem to simultaneously praise Hong Kong for its transparency and efficient government action while also ignoring or perhaps accepting many of the more glaring examples of unfortunate bureaucracy. There are plenty of examples on both sides varying from both group to group and industry to industry, so a relatively brief overview is presented here.

The first thing likely to be said by an interview subject, when asked about the benefits of doing business in Hong Kong, is the transparent and entirely non-corrupt governmental processes. Again, “straightforward” seems to be the word of the day in these kinds of conversations. One individual, a legal counsellor for a Top 10 financial company in Hong Kong, stated the following: “Hong Kong’s rule of law is very flexible. Most of the time we do what we

want, and then figure out how to squeeze it into the law later.” This may well be the case for financial institutions in Hong Kong, and may be one of the reasons for the government’s often-cited flexibility. However, this sentiment is not shared by everybody.

For example, one interview subject related to me his story of “the chop”, a small stamp which apparently held the key to every business transaction he attempted to make in Hong Kong. Obtaining one of these stamps is a routine step of creating a business, and every business, large or small, has one or several. The point is that without one of these stamps, very little can happen with a business in Hong Kong. This interview subject in particular told me that a certain form he was filing in order to get a certain permit had to have a stamp on each of its five pages. He failed to stamp a page completely (it was only partially stamped) and the form was rejected due to this. Clearly, he argued, the fact that the other pages were stamped was evidence of his ownership of a stamp. This anecdote shows a general trend towards a deference to authority, sometimes even beyond what may seem like common sense.

A second concern, and one well-known in the West but not often examined in reference to the development of start-ups and SMEs in Hong Kong, is the concept of “Face” and the related importance of “guan xi”. These both have important yet often disregarded impacts on small businesses in Hong Kong and are the base of every other following cultural consideration identified in this study, including: a reluctance of young Hong Kong students to enter the start-up market or pursue independent businesses; an underdeveloped start-up ecosystem; the financial difficulty of obtaining private funding; and a perceived lack of creativity among native Hong Kong residents.

“Face” is a very complicated and multifaceted characteristic of Chinese society and social activity, and one which I will not attempt to fully unravel. It is often interpreted in English as

dignity or prestige in social standing, which is a sufficient definition for the purposes of this research. In terms of startups, it can at least partially explain much of the apparent aversion towards small business ventures that many local Hong Kong residents feel, both in terms of starting them and investing in them. To fail in these ventures would be to lose face, so to speak, and failure is often not an option in this type of society, while in a place such as Silicon Valley, the epitome of startup culture, failure is almost encouraged at least as an opportunity to learn. Therefore it is often encouraged of young professionals to take a safer and more conservative career path in a large financial institution, real estate, or law. This trend has detrimental effects on the availability of local talent for startups (an immigration visa renewal requirement) and also a dampening effect on the development of new startups.

Guan xi is essentially the Eastern characterization of the importance of relationships, both in business and in personal life. Although Hong Kong is rather more westernized than most Asian nations, it serves as a gateway to China for many small enterprises, and guan xi is very important there. This prerequisite can be a major cultural obstacle for foreigners attempting to do business in China at all, whether through Hong Kong or no. To come into a society which places such importance on relationships with no relationships of one's one and perhaps even no concept of this importance can be an incredibly difficult task.

However, this issue applies much more to mainland China and Chinese Hong Kong residents than it does to Westerners and Indians, for example. While non-Chinese may have a difficult time utilizing guan xi – in part due to a lack of awareness about it – I heard many times during my research that Hong Kong's Western professional community can be characterized as a village of sorts. "Everybody knows everybody," said one individual, "And word gets around very quickly. That being said, you're never more than two phone calls away from talking to the

person you want to talk to.” I experienced this first-hand: as I started to build my network, I was able to get connected with CEOs and heads of companies, even as a student researcher with very few existing connections. Some individuals had even already heard of me through the grapevine, so to speak, by the time I got in touch with them.

## Personal Findings

My own experiences in the Hong Kong entrepreneur “scene” may also serve to inform this research paper, although I am not a sociologist nor am I one who is accustomed to immersing himself in a foreign environment and reporting academically on it.

Since I couldn’t find a “unicorn”, so to speak, I decided to attempt to become one. I would pretend to be an immigrant of sorts in Hong Kong with nothing. This was not so far from the truth: my budget as granted by the University, although gracious, was tight for a city like Hong Kong, and I was loath to spend my own private funds on a venture which was purely hypothetical. This is not to mention the fact that in order to fit my previous definition of an immigrant entrepreneur, I must start with nothing. The first step is to go through the process of establishing the business itself, and by all accounts, this step is the easiest.

This is one of the biggest selling points of Hong Kong’s pro-business attitude: one can create a business for oneself or others in a matter of days. The bureaucracy and red tape involved in the process are minimal, making it incredibly efficient. An aspiring entrepreneur has the options of filing the paperwork himself, going through an agency, or even purchasing a pre-existing shell business. And one needs very little in order to complete this process: the fees amount to no more US\$250 and the minimum shareholder is only one person and can be the filer (with a minimum share value of HK\$1). In fact, the filer does not even need to be present in the country at the time of formation. However, there are several caveats that make this a more difficult process than is usually touted.

First of all, for myself visiting Hong Kong on a tourist visa, while I do not need to be present, it is also true that I am not legally allowed to be present. So in addition to making a “Macau trip” in order to refresh my visa status, I also would have to make an additional trip in

order to successfully incorporate. Second is the issue of bank accounts. In order to successfully and legally begin doing business (and have any chance at acquiring a visa), I would have to have a bank account for this business. One issue as discussed above is the unwillingness of big banks in Hong Kong to get involved in SME financing (and due to the nature of finance in Hong Kong, big banks are the only banks). Therefore, it is generally a bit of an ordeal to get a bank account approved, and the minimum required cash deposit is HK\$10,000 – no small sum for someone who may just be starting out. To further add to the confusion, applicants for bank accounts must be present in Hong Kong for opening of their account. So while you are not allowed in Hong Kong for the creation of your business or for the granting of the visa, you must be there at some point in between in order to open a bank account. Let us suppose now, hypothetically, that I had the required capital, made the trips, and now am the proud owner of a small business.

First, it is important to note that even considering Hong Kong's renowned "light touch" immigration visa, allowing negotiations and deals to occur with a visitor's visa, it is illegal to conduct any other business of any kind. This includes, of course, any form of employment, paid or unpaid including volunteer work, and establishing or investing in any enterprise of any kind. So even though individuals from many nationalities are able to travel to Hong Kong without a visa or any government pre-approval, nobody may participate in business without going through some amount of paperwork.

The visiting visa was the first obstacle to my hypothetical success as an entrepreneur. Although I was able to freely set foot in Hong Kong and stay for sixty days (much more than can be said for many other developed nations), as soon as I set foot on the ground, I was barred from anything other than touring or, fortunately for my research, holding meetings. In order to legally begin making money of any kind, three options were possible: an investment visa, an

employment visa, or a dependent visa. I will now go into each of these three and explain why they are either very difficult or impossible to obtain for a person in my position. Before I do, it is important to note one additional restriction laid upon even successful visa applicants. If one is living in Hong Kong at the time of the visa bestowment, that person must leave the country before being granted access to the rights of that particular visa. This means taking a trip to China, Macau, perhaps the Philippines. This is an additional cost and may be an unbearable burden for destitute immigrants such as myself, pretending to have nothing. As I have said, this is even a common process to renew and sustain tourist visitations for some time.

First and least viable of the three options is the dependent visa. This is the visa granted to the immediate family of the permanent resident. In order to obtain this, one must of course get married to a permanent resident of Hong Kong and then apply for a visa. There are no restrictions on the allowed activities of this visa holder, and there are very few qualifying criteria, but the idea of getting married in Hong Kong specifically for the purpose of obtaining a visa is a ludicrous one and not well-received culturally.

Second is the investment visa. This is the most common of the three for foreign entrepreneurs and is specifically designed for the purpose of starting and growing a small (or large) business in Hong Kong. The majority of the subjects interviewed obtained this type of visa. The greatest restriction for me with this visa is the high bar set for applicants. The criteria are loosely defined in the letter of the law, but this is a purposeful action meant to encourage interpretation. As it stands presently, the interpretation calls for individuals with something to give: this may be large amounts of capital, prior relevant experience, or advanced degrees. As one interviewee put it, the visa criteria are a bet on your odds of success in Hong Kong. The more robust one's resume, the more likely he or she is to gain an investment visa with little to no

trouble. Indeed, the majority of the individuals interviewed had very little very trouble – the majority of these individuals also had a rather impressive list of past accomplishments.

As a pretender in the role of the immigrant entrepreneur (and indeed, I hardly had to pretend in this case), I had none of these qualifications or capital bankrolls. This quite clearly precluded me from a chance at obtaining an investment visa. At the very least, not without many months of rejections and appeals.

Finally comes the employment visa. There are two individual paths in this one: the first is to create a company, run it abroad, and then make the case to “employ” myself in Hong Kong under my own company. The other is to simply become employed under another company and use that period to build up a nest egg or even obtain permanent residency after seven years. This latter route is the most viable path for the immigrant entrepreneur, and several of those individuals that I’ve interviewed who fit my definition most closely have set up in Hong Kong this way. I even received interest from several individuals who wished to hire me on as an intern or some other starting-level employee in their company.

However, this path is not without its obstacles also. As someone attempting to perfectly fit my own definition of immigrant entrepreneur, I had to discount these offers of jobs, internships, and the accompanying visa sponsorships. These were offered to me, naturally, only after discussion of my work in Hong Kong, my prior experience, and my plans to graduate with a Bachelor of Arts in the spring of the following year. This means that these offers do not present a valid way of attaining residency. But that’s not to say that other work is unavailable if only I had sought it. Of course, the unemployment rate in Hong Kong is very low and unskilled labor jobs are very much available. However, even this follows the trend of the research so far.

In order to obtain work as an immigrant, even an unskilled laborer, one needs an employment visa. These also are judged by the same ideas that govern the investment visa: only quality individuals with something to “bring to the table” will easily be granted employment visas, and even then an employer must show that he or she has attempted and failed multiple times to hire local Hong Kong residents. This means it is a very difficult and arduous task to hire foreign unskilled labor. By their very definition they have very little to bring to the table, and there is no reason that this kind of labor cannot be found in Hong Kong already. Additionally, the expenses associated with gaining a visa are often not worth it for an employee of such low specialization. This means that, were I to pose as one with no prior experience or education, an employment visa would be especially difficult, if not impossible, to obtain.

So every branch on this path, the first step towards establishing and successfully running a business in Hong Kong, has difficult obstacles for an immigrant entrepreneur. Let us suppose, for the sake of the narrative, that a visa was obtained. With the achievement of this final step, I have become successful only the sense that now I am able to begin. I have become a successful immigrant, but not yet an entrepreneur. I have created something indeed, but not out of nothing and not something much more than I began with anyway.

In order to successfully do this and become not just an immigrant but an entrepreneur as well, I would need arguably equal parts luck and business acumen. The particular challenges of this are related above, from financial to cultural issues and other issues of immigration besides simply acquiring a visa for oneself. In this arena at least it seems useless to hypothesize, and that is where the experience of successful entrepreneurs becomes necessary to more fully understand the challenges of small business in Hong Kong.

## Counterarguments

Definition of “Immigrant Entrepreneur”:

Some critics may incorrectly argue that the reason I was not able to find any true “immigrant entrepreneurs” is because I defined the term in such a way that precludes the thing from existing at all. According to some, the definition of “immigrant” actually means an individual who brings the required resources to the table and therefore legally is allowed permanent residency in Hong Kong. What I am actually looking for, according to this argument, is an “economic refugee”.

This argument is circular in its logic and entirely self-defeating with regards to research, however. This is to say that I cannot find individuals in Hong Kong residing legally because the law does not allow them, and in order to be successful, I should turn to an examination of illegal activity. Part of the definition of “immigrant”, as I lay out above, is “Entirely legal”. It would be a pointless exercise to change the definition of this research in order to comply with the laws of Hong Kong – rather, the study concerns itself with the conflict between the definition and the law.

The other half of this argument is also important to consider: the definition of “entrepreneur” as an individual. I define entrepreneur as any individual who undertakes original business operations under his or her own leadership. Critics may argue that this definition is inaccurate and that a better version would consist of organizing means of production in society and taking on substantial financial risk. With that being said, many of my interview subjects happened to be consultants or in the consulting industry, sometimes being the sole employee of their own company (but not a freelancer, per se). This means that under the latter definition, these individuals are not actually entrepreneurs and therefore should not be counted among the

survey. However, this definition is fundamentally flawed in light of the Hong Kong economy and modern start-up developments. An entrepreneur in a service-based economy such as Hong Kong (and especially in a knowledge-based economy such as the growing tech industry) need not organize anything other than their own agenda or take any risk beyond the investment of their own time.

#### Flawed Methodology:

I have already addressed the advantages of the present in my study as a result of the survivorship bias – it rules out the high possibility of failure as a result of inability. The entrepreneurs who give their input have succeeded for the most part and as a result are able to provide their opinions in hindsight. Even the most successful small-business owner faces challenges, but these challenges are almost guaranteed to be as a result of external factors rather than internal incompetency, and these external factors are the focus of the paper. Additionally, successful entrepreneurs more often than not have failed in the past, and this string of failures is a valuable learning tool.

It is true that unsuccessful entrepreneurs may have a different perspective and different experiences to share that would still be valuable to this research. However, there is very little to be done in that regard because it would be almost impossible to find these individuals when, after failing, they go back to their day jobs or home countries – short of a broad survey which frankly is beyond the scope and means of this study at the present time.

#### Missed Interviews:

There are also some who would argue that approximately fifty or so interviews is not enough to generalize the entire population of immigrants in Hong Kong and to characterize their entrepreneurial ambitions and problems. Perhaps there is an entire subsection of the population

that I have completely overlooked. Maybe there is a small community of “unicorns” out there that I have not heard anything about. This is absolutely a realistic possibility.

As a primary rebuttal, I will say that the professional immigrant class in Hong Kong, the demographic with which I’m most concerned, is incredibly tight-knit and well connected. The majority of subjects have mentioned this fact – that whenever a new development crops up across town, everyone hears about it. If there were special cases to be explored, I am certain they would have come up at least once in conversation. However, even in such a tight-knit condensed environment as Hong Kong, there will naturally be places unexplored by even the most in-depth research (keeping in mind that this is merely a glancing study) and out of the eye of the community at large.

“Case Studies” as Misleading Cultural Indicators:

A final critique of this paper may be that it is inaccurate to use individual case studies to exemplify cultural phenomena, especially ones so complex as to be found in Hong Kong, such as the issue of “face” or the importance of guan xi. I would like to remind those critics that these case studies have been carefully selected as representative of a broader theme discovered while conducting broad-ranging and open-ended interviews. Cultural issues as described above are not related unless they are brought about and confirmed time and time again in the interview process. It may be true that to boil down one full aspect of a complicated culture into a story with some analysis is oversimplification. But this study is not an in-depth look at Hong Kong culture or business per se, but rather a broader sampling of problems facing entrepreneurs and the possibility of immigration.

## **Recommendations, Implications, and Projections**

These three areas of entrepreneur problems in Hong Kong can be laid out on a convenient scale in terms of the general efficacy of governmental involvement: culture, arguably, cannot be very easily swayed by government policy changes (rather it would seem that policy reflects culture, not the other way around). Meanwhile, the role of government in facilitating the financial market for SMEs is highly debated. On the other end of the spectrum, immigration is an issue which can almost exclusively be solved by policy changes because it is almost entirely an issue of policy. With that being said, the implications of these policy changes are of course up for debate.

So, to start with the low-hanging fruit, what can government do to improve immigration processes? Hong Kong already has one of the easiest and most transparent immigration laws in the world in present day – but it would seem that these are still prohibitive to some extent, and they do not compare in accessibility with the immigration laws in place during Hong Kong's boom period in the 20<sup>th</sup> century. The recommendation of this study, based on the findings of the surveys analyzed above, would be to drastically open up immigration procedures. Immigrants in Hong Kong provide the cultural counterbalance necessary to establish and maintain startup communities. As stated above, it often happens that immigrants and Hong Kong residents who have international experience are the ones to create their own companies, foster startup communities, and create working spaces for them.

The most logical course of action, and one most likely to satisfy the nativist factions of Hong Kong would be the introduction of a new immigration scheme, beyond the standard employment, student, and investment. Based on the findings of this study, this could be called the entrepreneur immigration scheme and allow even those people with very few resources to

arrive in Hong Kong and legally begin doing business. Applications would include a business plan but would require no evidence of established assets or already-ongoing operations.

Residency would be based on evidence of a good-faith effort to expand business operations while failure would result in the termination of the visa, reviewed yearly. This scheme would allow individuals from all over the world to try their hand in Hong Kong – those who are successful would contribute much, while those who fail subtract nothing.

Of course, Hong Kong immigration policy was not always the way it currently stands. Beginning with the separation of the island from the mainland by the British in the mid-19<sup>th</sup> century, immigration policies were very open and welcoming, especially to mainland Chinese residents. Waves of immigrants from the mainland obtained Hong Kong residency by simply setting foot in Hong Kong territory. Beginning in the early 1990s with the adoption of the Hong Kong Basic Law and the subsequent handover of the territory from the British to the Chinese, immigration policies became much more restricted.

Regarding financial issues, there are a few to consider, but the first and most over-arching is the role of public finance in the startup ecosystem. This was one of key points of a panel event hosted by several very successful Hong Kong entrepreneurs as well as government officials, the arguments for and against which have been explained above. The recommendations based on the findings of this study are to let the existing loan programs stand as well as add several new government programs designed to foster the development of and investment in thriving startup communities and small businesses. For example, this could mean special tax considerations for small businesses, or incentives geared towards motivating private investors to take on the risk of venture capital. What we see in Hong Kong today has developed within the context of a mostly

free market and traditional financial mentality, but government programs could certainly kickstart faster growth in this sector.

Another recommendation would be to allow more free development of land and real estate and thereby attempt to come to a solution regarding the cost of real estate in Hong Kong. This is a relatively straightforward analysis: more real estate development and construction in and around Hong Kong will lead to reduced costs overall and more options for those small businesses restricted by budget. This is also a cultural issue in a way. Hong Kong, having such large tracts of undeveloped land reserved for “country parks”, must decide on where to draw the line between development and conservation – and be prepared to endure the consequences of whatever is decided.

On the other end of the policy spectrum are the issues related to culture. Regarding these issues, I would argue that there is not much to be done from a policy perspective in order to change the culture of Hong Kong. Even in a halfway-democratic place such as Hong Kong, it stands to reason that policy is a reflection of societal values rather than the other way around. However, there are two means by which Hong Kong’s culture can and will change in the near future. The recommended immigration policy reforms will help to change culture quite a bit by bringing in waves of fresh perspectives. It is evident that foreigners in Hong Kong are more inclined towards entrepreneurship in all areas – investing in them, starting them, connecting them – than local Hong Kong residents, so the effect of immigration on culture seems to be simply an issue of mathematics.

Additionally, an emphasis on education reform will achieve two ends: first, it will encourage Hong Kong residents to think creatively and afford themselves the freedom to fail. Second, improved education systems will encourage expats to relocate to Hong Kong. This was

an often-cited reason why many Western immigrants felt Hong Kong was a less-than-desirable place to go if they had a family. Due to the fact that many new entrepreneurs have families, the education system in Hong Kong precludes many entrepreneurs from locating there.

## Conclusion

As presented in this comprehensive study of SMEs in Hong Kong, there are multiple significant barriers to entry regardless of industry. It does not seem to matter which industry is examined; the majority of these issues are found consistently across the board. Industry-specific situations are often outliers in the general lay of the political landscape, or otherwise a result of market forces not applicable to Hong Kong SMEs generally. These barriers are instead often characterized by the results of the existence or lack of certain government policies or by cultural characteristics. The former can be reformed; the latter must change on its own accord. However, with that being said, the majority of interview subjects have seen a significant shift in public opinion towards SMEs and startup culture – though whether or not the government will end up reforming its policy to best suit this culture remains to be seen.

It would seem that it is indeed an impossible task to become a true “immigrant entrepreneur”. In my months of scouring Hong Kong in search of one, I have come relatively close – at least compared to the individual who simply transplants successful operations from their home country to Hong Kong – but have found no recent evidence of even the possibility of immigrant entrepreneurship. Even in Hong Kong, a metropolitan “world city” renowned for its pro-business attitude and transparent government, this act and the individual who would perform it remain something out of a fairy tale.

## Appendix A

Data Type	Position	Industry	Date	Nation of Origin	Greatest Obstacle	Visa Status
Interview	Officer	Government	17-Jul	UK	Policy/Regulation	Permanent
Interview	Co-Founder	Headhunting	17-Aug	Switzerland	Visa	Visitor
Interview	Risk Management	Finance	21-Jul	US	Education	Employment
Interview	CEO	Social	26-Jun	US	Cost of Doing Business	Permanent
Interview	Manager of Technology	Government	24-Jun	HK	Cost of Doing Business	Native
Interview	Associate	Tax	30-Jun	Argentina	Visa	Employment
Interview	President	Investing	4-Jul	Singapore	Lack of Funding	Investment
Interview	President	Import	3-Jun	US	Competition	None
Interview	HK Accounts	Import	3-Jun	US	Competition	None
Interview	CEO	Consulting	2-Jul	Aus	Education	Employment
Interview	Partner	Tech	7-Jul	Aus	Local Labor	Investment
Interview	Senior Broker	Investing	2-Jul	US	Policy/Regulation	Employment
Interview	Founder	Accounting	1-Aug	Italy	Competition	Investment
Interview	Associate	Investing	4-Jul	HK	Lack of Funding	Native
Interview	Community Manager	Real Estate	10-Jul	Belgium	Cost of Doing Business	Employment
Interview	Founder	Tech	10-Jul	Switzerland	Cost of Doing Business	Permanent
Interview	IndustriellT	Tech	6-Jul	Bangladesh	Competition	Investment
Interview	Founder	Tourism	14-Jul	UK	Policy/Regulation	Investment
Interview	Marketing Manager	Real Estate	15-Jul	HK	Cost of Doing Business	Native
Interview	Founder	Real Estate	15-Jul	India	Culture	Investment
Interview	Director	Consulting	15-Jul	US	Cost of Doing Business	Permanent
Interview	COO	Incubation	16-Jul	Italy	Cost of Doing Business	Investment
Interview	Managing Director	Translation	23-Jul	France	Visa	Visitor
Interview	CEO	Consulting	31-Jul	India	Competition	Investment
Interview	COO	Real Estate	23-Jul	Aus	Cost of Doing Business	Permanent
Interview	Founder	Manufacturing	16-Aug	US	Competition	None
Interview	Director	Consulting	24-Jul	HK	Cost of Doing Business	Native
Interview	Director of Biz Development	Consulting	30-Jul	US	Competition	Investment

Interview	Director	Consulting	31-Jul	Aus	Culture	Investment
Interview	Founder	Consulting	1-Aug	South Africa	Culture	Permanent
Interview	Intern	Consulting	1-Aug	US	Cost of Doing Business	Employment
Interview	Managing Director	Education	1-Aug	Aus	Competition	Permanent
Interview	Director	Community	1-Aug	Philippines	Policy/Regulation	Permanent
Interview	Director	Community	1-Aug	Philippines	Policy/Regulation	Permanent
Interview	Founder	E-Commerce	3-Aug	India	Competition	Permanent
Interview	Founder	Tech	4-Aug	Netherlands	Cost of Doing Business	Investment
Interview	Partner	Tech	6-Aug	HK	Cost of Doing Business	Native
Interview	Founder	Education	6-Aug	US	Cost of Doing Business	Investment
Interview	Managing Director	Government	6-Aug	HK	Competition	Native
Interview	Director	Community	16-Jul	HK	Lack of Funding	Native
Interview	Professor	Education	7-Aug	HK	Competition	Native
Interview	Dean	Education	7-Aug	HK	Competition	Native
Interview	Founder	Real Estate	8-Aug	HK	Cost of Doing Business	Native
Interview	Founder	Marketing	8-Aug	US	Cost of Doing Business	Permanent
Interview	Owner	F&B	12-Aug	Nepal	Cost of Doing Business	Permanent
Interview	Refugee	Unemployed	16-Aug	Bangladesh	Policy/Regulation	Refugee
Interview	Founder	E-Commerce	17-Aug	UK	Cost of Doing Business	Visitor