

## **Global Entrepreneurship Monitor (GEM) – Highlights of Hong Kong Report**

### **Background of the Study:**

- ✧ The study is part of the Global Entrepreneurship Monitor (GEM), which is a not-for-profit research consortium led by Babson College, USA, and London Business School, UK. It started in 1999 to make high quality international research data on entrepreneurial activity.
- ✧ The present study is the fourth GEM Hong Kong Report which covered a study period from June 2004 to May 2007.
- ✧ Telephone interviews were conducted with 146,533 adults worldwide (2,000 for Hong Kong) from May through October 2007.

### **Major Findings of the Hong Kong Report:**

#### **1. Does Hong Kong have more entrepreneurs than before?**

- ✧ In the 2007 survey, **10%** of the respondents have started new business (early-stage entrepreneurial activity index) between December 2003 and May 2007, tripled the findings in 2004 which is only **3%**;
- ✧ Hong Kong's rate is also much higher than some Asian cities such as Tokyo (**2%**) and Singapore (**6%**). Yet, when compared with China (**16.4%**), the SAR looks far less entrepreneurial;
- ✧ Adding the **5.4%** already established business, **15** out of 100 people in Hong Kong are involved in entrepreneurial activities;

#### **2. Who are more likely to be entrepreneurs in Hong Kong?**

- ✓ **Male** (2.5 times more than female)
- ✓ **Young** (25 to 34 years old are 1.4 times more likely to be entrepreneurs)
- ✓ **Well Educated** (those with post-graduate degrees are 1.4 times more likely to be entrepreneurs; while those who have not finished high school are only 0.6 times as likely)
- ✓ **Experienced** (55% of the entrepreneurs has experience in starting up business)
- ✓ **Well-Off** (The top one-third income group 5 times more likely to be entrepreneurs than the bottom one-third)

### 3. What kind of business preferred by entrepreneurs in Hong Kong?

- ✓ More than 77% of entrepreneurs preferred to start **“service-oriented”** business;
- ✓ Among which 59% are consumer services, only 18% are business services.

### 4. Are entrepreneurs in Hong Kong able to sustain their business?

- ✓ 4.4% of the Hong Kong entrepreneurs chose to discontinue ownership of their business. The percentage is substantially above the average of high income countries, such as U.K. and Japan, and on par with the U.S. and middle/low income countries, such as India and Thailand.
- ✓ Among which, 55% of exits were due to financial problems such as problem getting continuous finance and business not profitable.
- ✓ However, **more than one third** of the entrepreneurs who had discontinued ownership of their business were either owner-manager of another business (39%) or actively trying to start another business (37%).

### 5. Who are the investors?

- ✓ 43% of the entrepreneurs planned to fund the startup completely on their own; compare to 57% who planned to find formal or informal investors;
- ✓ Almost 8% of the adults in Hong Kong are informal investors, which is considerably higher than the GEM average of around 4%.
- ✓ More informal investors are friends (54%) rather than family members (41%) of the investees.
- ✓ Entrepreneurs who planned to find investors for their business expected to enlist a median investment of HK\$250,000, compared to the median investment of HK\$100,000, expected by the informal investors, which implies existence of an investment gap. To address such investment gap, entrepreneurs should :
  - ✧ Diversify sources of finance instead of over-depending on informal investors;
  - ✧ Develop more strategic approach in fund raising and establish strong network with potential investors;
  - ✧ Advocate for the establishment of “Angel Investors Association” to provide a ready exchange and networking platform for entrepreneurs and angel investors.