



## **Key Considerations for Entering the Hong Kong Market**

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## Abstract

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<b>Thesis Title</b> Key Considerations for Entering the Hong Kong Market
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<p>The objective of this thesis was to examine the key factors necessary for starting or expanding a business in Hong Kong. The key elements included studying the Hong Kong market and economy, exploring the city's major industries, understanding the stages of the establishment process, and exploring different business structures. Additionally, cultural topics associated with business in Hong Kong played an important role in order for the reader to get a comprehensive and in-depth understanding of the business environment.</p> <p>The main research question aimed to identify the critical aspects for successful operations in the Hong Kong market, while the three sub-questions focused more on the smaller details of joining the market. The thesis was divided into two parts: the theoretical part and the research part.</p> <p>In the theoretical part, the author studied Hong Kong both as a city and as a market economy. Hofstede's six dimensions of national culture were used as a comparison tool to study the cultural differences between Hong Kong and Finland in the business world. The major industries were introduced, and the Strengths, Weaknesses, Opportunities, and Threats of the city's economy were thoroughly researched. Next, the suitable business entities and the necessary documents and permits were introduced. Finally, the theoretical part concluded with a 10-step instructions for establishing a business in Hong Kong.</p> <p>The research part used qualitative research method and personal interviews were conducted. Five experts were selected based on their extensive and comprehensive understanding of Hong Kong's corporate culture, coupled with their experience in long-term operations within the Hong Kong and/or Asian markets. The interviews strongly supported the theoretical framework, with many of the discussed themes aligning with the insights shared by the experts. The research section concluded by presenting final outcomes with personal quotes from the experts which provided a nuanced perspective and added depth and credibility to the research.</p> <p>The research results show that Hong Kong is a favorable place for doing business due to its strategic location, business-friendly environment, and low taxation. Setting up a business is simple and straightforward, although some challenges may arise, such as the process of opening a bank account. Additionally, the city's high cost of living is a notable factor to consider. Because Hong Kong contains many different modes of operation and cultural characteristics, that means that successful entry into the Hong Kong market requires careful planning, diverse networks, and a solid understanding of local business practices.</p>
<b>Key words</b> Hong Kong, business research, business culture, market entry

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# 1 Introduction

What is the first thing that comes to your mind when you think about Hong Kong? For some people, it may be the gorgeous skyline formed by the hundreds of bright and colourful skyscrapers. For others, it can be the great hiking opportunities and tall mountains you can admire the sunset from. But for many, the city of Hong Kong is all about business, connecting in various conferences and fairs, and creating brand-new business opportunities.

This research focuses on the latter, as the author explores and studies the most important topics related to the business world in Hong Kong. The main focus is on small and medium enterprises (SMEs), start-ups, or entrepreneurs who are currently in the process of expanding or have already expanded to Hong Kong. The author is going to consider different perspectives and viewpoints, and the goal is for the reader to use this as an extensive guide if expanding to Hong Kong is a current topic regarding the company's development and growth. Even though the research works on brand new companies as well, it is important to remember that this thesis focuses on existing companies that are curious on moving their business model to Asia and are considering using Hong Kong, for example, as one of the steppingstones of the process, as a base for their headquarters, or as their final destination of the company.

So, where does the city's business reputation come from? Hong Kong, officially named as the Hong Kong Special Administrative Region (HKSAR) has a long and rocky history on its way of becoming one of the world's most popular and known business centres. From the late 1960s Hong Kong has attracted foreign investment and financial transactions. After British rule in 1997, which will be covered more in depth in the next chapter, the city was passed to China and became an important window for foreign companies that wanted to do business with China. Hong Kong ranks very high among global financial centres in terms of business environment, human capital, infrastructure, and overall reputation. (Leung 2023.) According to Leung (2023) "Since 1969 Hong Kong has emerged as one of the major financial centres of the Asia-Pacific region, despite the fact that it is without the services of a central bank".

## 1.1 Thesis objective, research question and method

This thesis will be a research-oriented study as the author will gather information from various sources. The main objective is to provide information, give thorough instructions and find out necessary topics related to the Hong Kong market. Therefore, the main research question is:

- What are the key factors that need to be considered when joining the Hong Kong market?

The sub-questions are:

- Is joining the Hong Kong market worth considering?
- What are the possible difficulties when joining the market?
- What are the factors that make new companies want to join the market?

As mentioned above, this is a research-oriented study where the primary goal is to analyse the main and sub-questions as broad as possible. This is done with the help of a theoretical part where the author examines business-related topics such as the Hong Kong market in general, the popularity of different industries, a SWOT analysis of the city, as well as, needed legislations and paperwork. The research part will work as a support to the theoretical part where several interviews will be conducted with suitable experts. This means interviewing five distinct Finnish participants to gather the most comprehensive and diverse results.

The research is conducted using a qualitative research method. Qualitative research can consist of numerous different approaches which bring out the required data or information on the desired topic (Tuomi & Sarajärvi 2018). The author has decided to use interviews as a data collection method for several reasons. First of all, one-on-one interviews are one of the best ways of in-depth data collection and they act as a great support to the theoretical part. Secondly, interviews are much more personal than, for example, surveys that are used in the quantitative methods and focus more on statistics and numerical analysis. Thirdly, the author completed an internship at the Finnish Chamber of Commerce in Hong Kong where they gained useful knowledge and valuable contacts that can be used in the research part of this thesis.

Although, for the most part, there is valuable data in qualitative research there are couple downside, one being the problem of bias (Tuomi & Sarajärvi 2018). Bias and other possible issues are explored more deeply in Chapter 4.2 'Research methods and data collection'.

## **1.2 Demarcation of the topic**

This topic was narrowed down from the original plan which was to include the whole continent of Asia to the research. Reason for the limitation was because Asia is the biggest continent in the world and was simply too broad for the thesis research. In addition to being the biggest continent, Asia includes over 40 countries none of which are alike, making it also an incredibly diverse. All these countries have different business cultures, different currency strengths and income differences. (Boudreau, McDaniel, Sprout & Turgeon 2022.) These are all important factors that have great impact on the way businesses works and how easy or difficult it is to expand in each country. Furthermore, all Asian countries have different laws and rules when it comes to establishments and including all of them in the thesis would be inconvenient.

Hong Kong was chosen because over the years, the city has become both a popular tourist destination and one of the largest commercial and financial centres in the world. Its ideal location as a harbour city ensures that it remains strong, prosperous, and important in all aspects of the destination's business. (Leung 2023.)

## 2 Hong Kong as a global business hub

This chapter will give the reader general information about the history of Hong Kong, when it used to be under the British rule, as well as talk about what the business culture in Hong Kong is like. The importance of looking at the history of Hong Kong is huge because it is the main reason for the growth and development of Hong Kong today. It is also equally meaningful to understand the culture of the city. Since Hong Kong is (especially today more than ever) well connected to China, it is important to examine what kind of culture the new company is expanding into.

The author will also research the most common cultural differences in business world between Hong Kong and Helsinki as well as talk about Hong Kong's work culture (working hours, employee well-being, work ethics, wages, etc.). It is vital to remember that the information researched by the author may not apply to every local Hongkonger or company as it is general data from various sources. This also applies to the section about cultural differences because people do business differently and each person and establishment is unique.

### 2.1 British Hong Kong

Before the British, Hong Kong was first under Chinese rule during the Qin Dynasty. It remained part of the Chinese Empire for up to 2,000 years, until the British arrived in the mid-1800s during the First Opium War (1839-42). Back then, Hong Kong was just a sparsely populated fishing village with only few features that attracted people to live there. However, the village was found to be safe and peaceful base for British traders and the British started using the harbour for their ships carrying opium. Soon, the commercial and strategic importance of the island's sheltered harbours was quickly understood. The first opium war ended in 1842 when China handed Hong Kong over to Britain with the signing of the Treaty of Nanking.

The agreement included three main territories that make up present-day Hong Kong: Hong Kong Island, the Kowloon Peninsula, and the New Territories. Over the years, more agreements related to the island were signed and the final lease which included Boundary Street and the Shenzhen River (modern areas dividing mainland China and Hong Kong) was signed in 1898. This lease was set to expire after 99 years, which meant that China expected Britain to hand the territory back to them in 1997. (Little 2019.)

By controlling the island of Hong Kong, Britain gained useful access to Chinese trade. However, during the Sino-Japanese War from 1937 to 1945, Hong Kong's trade declined drastically, and the population dropped from 1.6 million to around 650,000 by 1945. Conditions were weak for several years until Hong Kong began to recover thanks to light industries such as textiles, which were

established by immigrant capitalists and provided much-needed jobs. These soon proved their importance in the economy and at the same time created the basis for the continuation of industrialization. In the 1960s, however, cheap labour, bad working conditions, labour disputes and general dissatisfaction caused many riots and protests in the city. (Leung 2023.)

The situation stabilized at the end of the 1960s and general working and living conditions improved considerably. This was due to labour legislation, large government housing projects and extensive public works programs. At the same time, high-tech industries such as electronics developed, and real estate and financial markets flourished. (Leung 2023.)

On July 1<sup>st</sup>, 1997, China regained Hong Kong and 'One Country, Two Systems' policy was implemented. The policy stated that Hong Kong was to be isolated from the mainland China financially and economically and maintain exchange and trade restrictions as well as restrictions on the movement of people. (Little 2019.) Aside from few financial crises and the SARS outbreak, the post-reintegration years were flourishing, with Hong Kong's economy growing fairly steadily. Significant economic ties to China increased even more and cheap food helped to control the rise in the cost of living. Therefore, wages also remained low during labour-intensive industrialization. Excessive resources were invested in improving the area's transport infrastructure, which included new bridges, roads, and a new airport. (Leung 2023.)

The 'One Country, Two Systems' arrangement is supposed to last until 2047. It will be interesting to see what will happen to Hong Kong in the future, as since 2019 there have been numerous protests with over million people (Figure 1) in the city over a proposed law that violates the 'One Country, Two Systems' arrangement. (Little 2019.)



Figure 1. Group of People Protesting on the Street (Airam Dato-on 2021)



## **2.2 Business culture in Hong Kong**

Hong Kong is culturally highly mixed. With the population of 7,4 million people (GovHK 2023), they celebrate western holidays such as Christmas and New Year, as well as many festivals originating from China, such as the Dragon Boat Festival, Mid-Autumn Festival and Chinese New Year. Even though about 92 percent (GovHK 2023) of the population is ethnically Chinese, “the people are westernized, highly skilled, motivated and educated” (Startupregistry 2023) and therefore the local residents also feel that they are different compared to the Chinese. When talking about locals, the city’s population is mainly made up of local Hong Kong Cantonese, Chinese, other Asian countries, and foreign expats.

The multiculturalism can also be seen in Hong Kong’s business life. In order to succeed in the Hong Kong business world, one must understand the business culture properly. Hong Kong’s business culture strongly includes important values of Chinese culture, as well as modern western thinking. Chinese culture usually includes topics such as saving face, modesty, the importance of family, and concepts related to age and hierarchy. In Western countries, on the other hand, an international way of thinking and freedom in working life are considered important.

In general, Hong Kong businesspeople consider themselves hard-working and busy. However, it is completely normal if some business-related matters take a little longer. Decisions are not made rapidly or impulsively. Traits such as calmness and politeness are looked up to, while impatience and forcefulness are seen in a bad light. It is essential that one does not put too much pressure on a local colleague. At worst, this can lead to the loss of face, which is one of the biggest shames in Chinese and Hong Kong culture. (Bradford Jacobs 2023.)

Body language also means a lot. Usually, there is very little physical contact, and locals do not engage in intentional body contact such as hugging, kissing, or patting on the back. On the other hand, eye contact should be used, and a light handshake is appropriate during introductions. Especially during meetings, it is important to introduce yourself to senior members first and remember that senior members also arrive and leave the meeting room before anyone else. (Bradford Jacobs 2023.) Lastly, colour plays a very significant role in Hong Kong's business life. Red is considered a lucky colour, while white is used to express sadness (Startupregistry 2023). It is important to keep in mind the symbolism of different colours, for example when decorating a new office or dressing for a job interview.

### **2.2.1 Culture differences in business compared to Finland**

As mentioned earlier, even though Hong Kong has many different cultures and the business world consists of various things, many outsiders recognise things in the culture that are usually defined

as 'Asian'. These include the above-mentioned Chinese values such as hierarchy and colour symbolisms, which in some cases can also be interpreted as Feng Shui (Startupregistry 2023). In this chapter, the author explores organizational differences between the Hong Kong and Finland. Finland was chosen as the counter country, since later in this research the author will interview businesspeople, working in Finnish companies currently operating in Hong Kong, who can provide their own opinions about this matter.

The comparison will be based on the famous Dutch Professor Geert Hofstede, who created the (originally) four dimensions of national culture. Nowadays, there are six dimensions which are used to understand and compare the cultural differences of different countries and to identify the ways in which business is done in each cultures. (Hofstede 2001.) The most important point is to broaden the reader's understanding of Hong Kong's business life from a cultural perspective.

As noted before, Hong Kong's meeting and negotiation culture has many rules. One example given was the attention to the hierarchy of senior members. According to Figure 2 on the next page, Hong Kong's Power Distance is high, meaning that the inequality between people is acceptable. The difference between a subordinate and a supervisor is big, and it is difficult for the staff to protect themselves from the possible abuse of a superior's power. Finns, however, are more independent and hierarchical differences are hardly noticed in meetings unless absolutely necessary. Equal rights and availability of superiors are important features. Duties are shared and managers trust their team members' experience and end results. There is no overcontrolling or especially abuse of power and the meetings have a relaxed atmosphere where superiors are called by their first names. (Hofstede Insights 2023a.)

The next dimension in Figure 2 describes individualism and collectivism. The high side (individualism) describes a society where one mainly thinks only of oneself and one's family members, while the lower side (collectivism) reflects a close society. In short, this dimension describes whether a nation thinks "I" or "we" (Hofstede Insights 2023b). Hong Kong scores 25 points on this dimension and thus has a collectivist culture where "people act in the interest of the group, not necessarily themselves" (Hofstede Insights 2023a).

When this is implemented in business culture, it means that, for example, in hiring and promotions, personal relationships (family or friends) are preferred or treated with priority. Communication is indirect and conflicts are avoided, because the harmony of the work group is really important in working life. Finland, on the other hand, is an individualistic society, meaning that in working life everyone is managed as an individual and hiring and pay raise are based on the merits of the employer.

The relationship between the employee and employer is a contract built on mutual advantage making it fair for everyone in the company. (Hofstede Insights 2023a.)

The third dimension is masculinity versus femininity. According to Hofstede (2023a) Hongkongers belong more to the masculine side. They have a need to ensure success and are success-oriented and driven. They work long hours and often into the evening. In a masculine culture, society is competitive, and importance is on achievements, material rewards and success. A good example of this are local students for whom getting good grades are more important than learning about the subjects itself. Finland gets a low score (26) in this dimension, and this puts Finland on the more feminine side of the comparison. In Finland, the most important things are mutual understanding, equality, and quality of work. Employees receive various incentives and bonuses, and conflict situations are handled through discussions, which end in a compromise. (Hofstede Insights 2023a.)

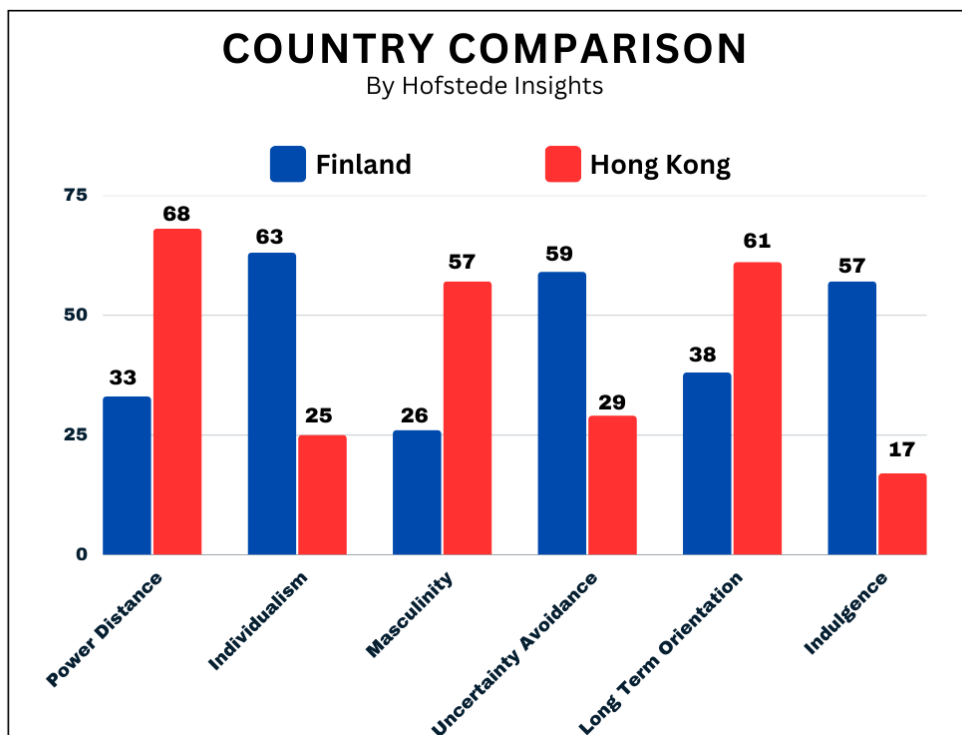


Figure 2. Country Comparison (adapted from Hofstede Insights 2023a)

The fourth dimension reflects the communication of uncertainty. Figure 2 above shows that Hong Kong has a low Uncertainty Concern score, which means they are comfortable with uncertainty. In Finland, on the other hand, the number is quite high (59), and it shows that Finns want to avoid uncertainty. Unusual behaviour and thoughts are also not looked upon favourably. (Hofstede Insights 2023a.) In terms of business culture, this means that Finnish organizations and employees would experience more stress in a surprising or unfamiliar situation than in Hong Kong.

The next dimension is long term orientation. Normative societies score low and prefer to preserve old traditions and norms, while cultures with high scores are considered pragmatic and focus, for example, in modern education as they prepare for the future. Hong Kong gets a high score (61 points) making it a pragmatic society. This means they can easily adapt their traditions to new circumstances. Finnish culture, on the other hand, gets a rather low score (37 points) and is therefore a normative society. Traditions are important and unlike Hongkongers, who are persistent in achieving results, Finns focus more on achieving quick results.

Finally, let us take a look at the last and most recent addition to Hofstede's dimensions, indulgence. In this category, the difference between Hong Kong and Finland is the biggest compared to any other, with a difference of up to 40 points. Hofstede explains that "this dimension is defined as the extent to which people try to control their desires and impulses, based on the way they were raised" (Hofstede Insights 2023a). Hong Kong, which received a low score, is more restrained, while Finland is more prone to indulgence. In a restrained culture, there is little emphasis on free time and fulfilling one's desires or dreams. In Finland, enjoying life and having fun are big part of their lives. Finns are positive and optimistic, while Hongkongers lean more towards pessimism. (Hofstede Insights 2023a.) In terms of business culture, Finns tend to have more free time and residents can do what they want, while in Hong Kong there is less free time and indulging oneself is seen as somewhat wrong.

### **2.2.2 Workplace culture and etiquette**

The previous chapter related to cultural differences gave the reader a better understanding of how Hong Kong works as a city and a nation. With the help of Hofstede's comparison, a better understanding of why Hong Kong people behave as they do in business life is achieved. Since the previous chapter dealt with Hong Kong's culture on a larger scale, let us now talk about the culture of workplace and its etiquette.

The topic is particularly important because without a proper understanding of culture and business etiquette, the company's success can be at stake. Cooperation with locals works much better when the etiquette of the local business life is familiar. This part also deals with salaries, henceforward, the author will use US dollars (USD) when talking about currency related matters. This is simply because USD holds the position of the most frequently used currency in global trade and various transactions across the world. (Berman & Siripurapu 2023). All amounts converted from Hong Kong dollars to USD have been made at the 30.10.2023 exchange rate.

When researching more about Hong Kong's workplace culture, almost without exception, one theme always came up more than others: Hong Kong's long working hours. Working hours in Hong

Kong are usually long and it is common for employees to work 40-50 hours a week. Depending on the company and industry, it is also normal to work on Saturdays. (Bradford Jacobs 2023.) According to GlobalData (2022), the weekly working hours in 2021 were 44 hours as can be seen in the Figure 3 below. However, the working hours have decreased by 8.3 percent since 2010, when the average was up to 48 hours. This statistic shows that Hong Kong is also on its way towards the previously mentioned indulgence culture and work-life balance, although there is still a little way to go. When it comes to overtime, Hong Kong labour law does not have specific requirements for overtime compensations. If overtime compensation is not specifically mentioned in the contract, it is usually paid according to the normal salary. (Bradford Jacobs 2023.)

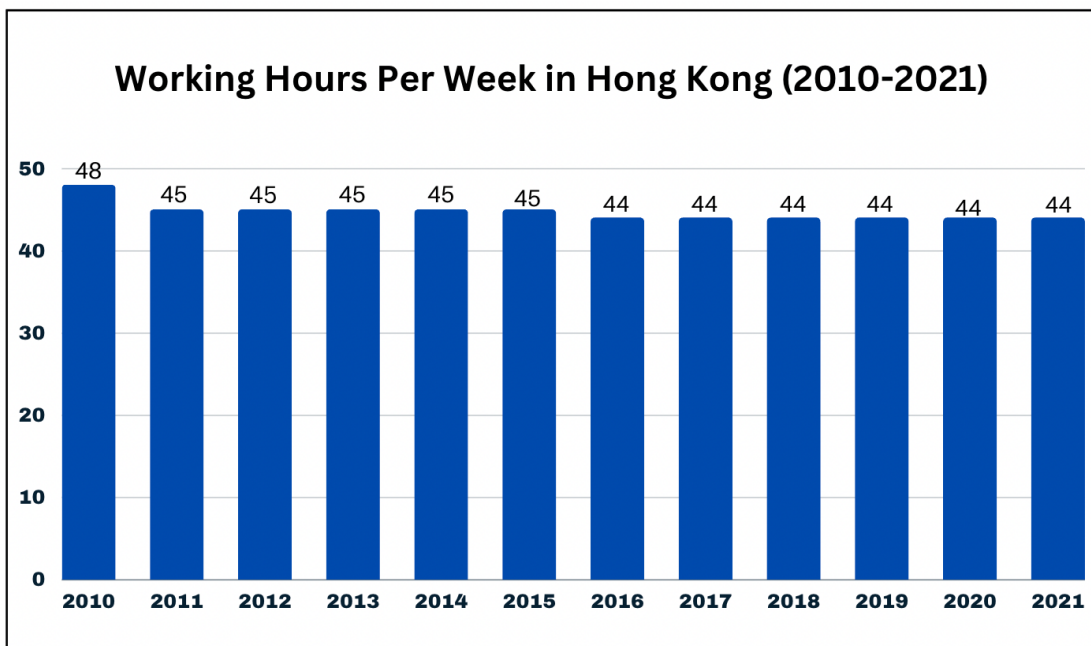


Figure 3. Working Hours Per Week in Hong Kong (2010–2021) (adapted from GlobalData 2022)

According to Labour Department (2023), Hong Kong has Statutory Minimum Wage (SMW) which was introduced for the first time in 2011. The current SMW is around 5.11 USD and it rose in May 2023 from 4,80 USD. The 50<sup>th</sup> percentile or median monthly salary marks the middle point of the wage distribution for Hong Kong's working population. Census and Statistics Department shows us, that the median of monthly salaries was 2 442 USD which is +1,9 percent more than in year 2021. (Census and Statistics Department 2023b).

Well-being at work also has a strong influence on the work culture because it affects the work community, their motivation and quality of results. MindHK (2023) is a mental health charity whose main tasks are to teach, research and improve Hong Kong's occupational well-being and everything related to mental health. The charity has done extensive research related to mental health in Hong Kong, unhealthy work culture and workplace stress. In this research they reveal that because Hong Kong has such long working hours, one in four Hongkongers suffer from symptoms of

depression and anxiety at work. Another alarming statistic is that up to 73% are not aware of mental health support programmes provided by their employer. From this we can conclude that when launching a company in Hong Kong, well-being at work should be taken very seriously and invested in.

From working hours, wages, and well-being, we can move on to the last topic of the chapter, which is the workplace etiquette. In the beginning of this chapter, a few etiquettes such as the importance of hierarchy in meetings and the symbolism of colours were explained. Given the significant role that business holds in Hong Kong, there are naturally more etiquettes as well.

One of which is the tea etiquette. Drinking tea is suitable for many occasions in Hong Kong and especially in negotiations, tea has an important role. Much like with the greeting etiquette, senior members are served tea first and are the first ones to take a sip. Tea is consumed throughout the meeting and when the host no longer touches the cup, it means the meeting has ended. In addition to tea etiquette, it is good to remember that arriving in time is vital and it is impolite to make others wait. The meetings are usually calm and slow paced, and it should be noted that building relationships can take time and achieving desired goals may take several meetings. (Bradford Jacobs 2023.)

In any business-related activity, how one is dressed should be considered. Since Hongkongers are materialistic and dress to impress, the dress code should be formal and conservative: a suit for men, cocktail dress, or straight trousers for women. To achieve a bigger wow effect, locals like to accessorize with different jewellery, watches, and bags. One should think about the dress code when going to business events, even if one does not normally wear suits or cocktail dresses, it can be worthwhile in Hong Kong. (Bradford Jacobs 2023.)

When meeting a new person, it is typical to exchange business cards. Business cards are extremely common in Hong Kong and should be given diligently to everyone. There are also few etiquette rules related to business cards that help prevent loss of face. As a sign of respect, business cards are given and received with two hands. Some may also give a small nod or bow when giving the card. After receiving the card, it should be looked at for a good while and not put it in the pocket or wallet immediately. To make a good first impression, it is worth ordering a card where the other side is in English and other in Chinese. (Startupregistry 2023.)

Finally, an important work culture etiquette is gift-giving, which is an essential part of Hong Kong's corporate culture. Of course, gifts are typically given during Chinese New Year and Christmas, but in the business world, gift giving is customary, and it strengthens business relationships. The etiquette of giving gifts is also very precise. For example, gifts should always be wrapped, and sharp

objects should be avoided, as they represent the breaking of cooperation's. Handkerchiefs, clocks, and the number four are all suggestive of death meaning that the gift-giver should not offer anything that result in a total of four things. In addition, the previously mentioned colour symbolism applies also to gifts. Presents that are blue, black, or white refer to grief and should definitely be avoided. The gift-giver should not get offended if the gift is not accepted immediately. In Hong Kong, it is typical to offer a gift several times, because accepting a gift the first time is impolite and seen as a sign of greed. (Startupregistry 2023.)

### 3 Joining the Hong Kong market

This next chapter is the theoretical part of the research. Various aspects of the Hong Kong market are thoroughly explored from the perspective of emerging businesses. This is an important chapter especially for individuals and/or companies thinking about expansion because subjects like the economy of Hong Kong and its key industries in the region, along with essential documentation and other legal topics, are examined.

#### 3.1 Hong Kong's market economy overview

According to GovHK (2023), Hong Kong is the world's sixth largest trading economy, and Mainland China is its most important trading partner. As the Hong Kong market plays a central role in this research, it is important to define what the word 'market' means in this thesis to avoid any confusion and ambiguities.

Will Kenton from Investopedia (2021) defines the word market as a place where parties can meet to exchange goods and services. Parties, including two or more people, can be divided into either buyers or sellers. When these parties meet specifically to trade, it creates a market. Market can be physical or virtual, meaning that the transaction of goods can take place either face-to-face or without seeing the other party at all. Example of a physical market is a retail store whereas a virtual market can be defined as an online platform where the transaction happens entirely on the internet. A market transaction means the transfer of goods, services, information or currency and the size of the market is determined by the number of buyers and sellers and the amount of money that gets transferred from one person to another each year. Market can be divided into even smaller categories such as illegal (black market), auction and financial markets.

Because market is a larger entity that determines the price of products and competition in different sectors, it is also an important part of the economy. (Kenton 2021). An event, where supply and demand drive the production of goods and services, is called a market economy. Hong Kong's strength and the main reason for the city's economic popularity are free trade, low taxation, and minimal government intervention (GovHK 2023). The city's strong investment climate and attractiveness as a tourist destination also boost its market economy. However, the most important factor and numerous business opportunities are provided by the gateway to mainland China. For that reason, it is typical that many Hong Kong manufacturers set up production facilities in the South China's Guangdong-Hong Kong-Macao Greater Bay Area (GBA) with Hong Kong thus acting as the center and trading hub in the GBA region. The market economy is also influenced by the loose restrictions on inward or outward investments and the fact that there are no nationality restrictions on business or industry ownership and no foreign exchange regulation. (International Trade



Administration 2022.) Perhaps this is also why, in 2022, Hong Kong was the second largest foreign exchange market in Asia and the fourth largest in the world according to survey conducted by the Bank for International Settlements (Yeung 2023).

Gross domestic product (GDP) is a good indicator for measuring the national income and production of an economy. It is the final value of goods and services sold by a country during a given period of time. After the recession caused by Covid-19, an increase of 6.4 percent was seen after two years in 2021. However, in 2022, with all the restrictions affecting strongly to the city's business activities, Hong Kong's economy weakened again, and the city's GDP decreased by 3.5% in real terms from 2021. Hong Kong's total GDP in 2022 was measured as 359.84 billion USD. (Census and Statistics Department 2023b.) Hong Kong's economy is on the rise because according to Trading Economics (2023) in the first and second quarters of 2023 there has been a considerable increase in GDP.

### **3.2 The major industries in Hong Kong**

When considering business expansion into Hong Kong, it's essential to investigate and familiarize oneself with the city's biggest industries. This understanding gives a good representation on which industries dominate the city and which share the toughest competition. According to an article published by Census and Statistic Department in December (2022a), there are Four Key Industries in the Hong Kong economy. On the next page, one can find Figure 4 which demonstrates the development of these industries which are financial services, tourism, trading and logistics, and professional and other producer services. These key industries have long been the strength of the city's economic growth and were recognized in the 2002-2003 Budget Speech of the then Financial Secretary for their importance in creating jobs and promoting other industries at the same time. Other popular and rather new industries that have had a positive impact on the economy, like education services and environmental industries, will be examined at the end of this chapter as well. (Legislative Council Secretariat 2015.) The currency shown in Figure 4 is Hong Kong dollars.

Financial services was the second largest industry in 2021 and employed 277,500 people. It includes subcategories such as banking, insurance, and other financial services, like stock brokerage, asset management, and finance leasing. (Census and Statistics Department 2022a.) In general, Hong Kong is an important financial center in the Asia-Pacific region and its popularity is visible in the city. The Global Financial Center Index has ranked it as the fourth leading financial center in the world. At the end of 2021, Hong Kong's stock market was the 7th largest as well as the fourth largest Initial public offering (IPO) fundraising market in the world. (Yueng 2023.)

The second industry is tourism which has been struggling recently as the numbers have been in a downward trend for several years now. During the pandemic, in 2020 and 2021, tourism industry experienced a really drastic drop of 76.8 percent. Both inbound (retail trade, accommodation services, food and beverage services and cross-border passenger transport services) and outbound (travel agency, reservation service and related activities, cross-boundary passenger transport services) tourism suffered, but especially in 2021, the inbound tourism experienced a decline, when the annual drop in the employment sector was up to 86.2 percent. (Census and Statistics Department 2022b.) The drop is particularly noticeable when looking at the year 2018, when the tourism industry employed up to 258,300 people. In 2021, on the other hand, there were only 21,500 employed (Census and Statistics Department 2022a). For a city the size of Hong Kong, where there are more than 7 million inhabitants and tourism is one of the most important resources, this number is really low.

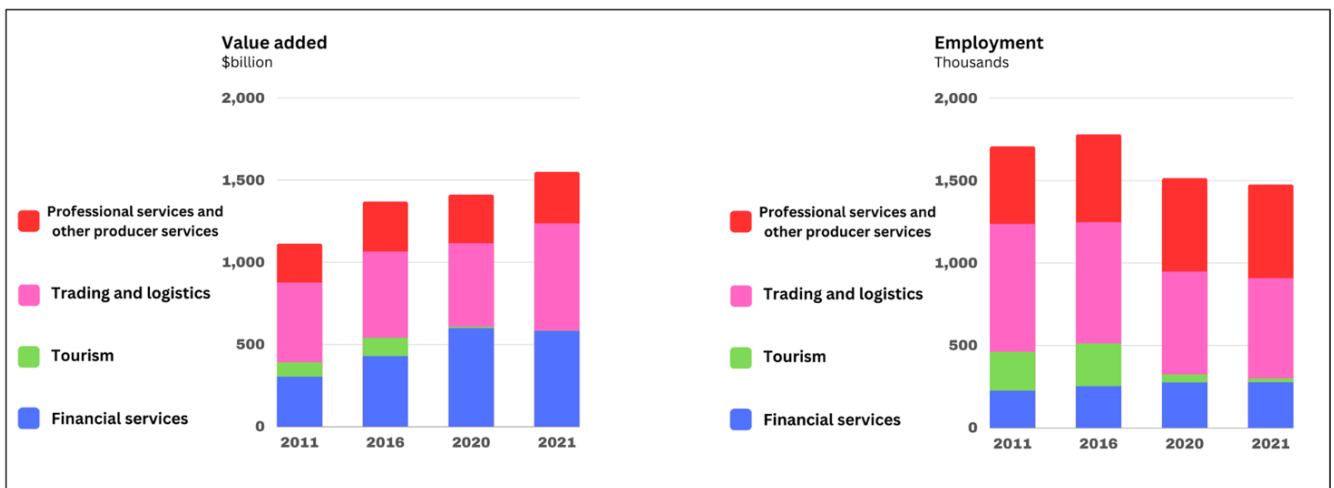


Figure 4. Value added and employment in respect of the Four Key Industries in 2011, 2016, 2020 and 2021 (Adapted from Census and Statistics Department 2022b)

The third and the largest Key Industry in 2021 was trading and logistics. This industry is also divided into smaller subcategories such as, wholesale, import and export trade, freight transport and storage services, and postal and courier services. Out of these four subcategories, import and export trade was the largest, which generated a total of 61.606 billion USD.

Figure 5 exemplifies Hong Kong's largest export and trade partners, which are China, the Association of Southeast Asian Nations (ASEAN), Europe, the United States, and rest of the world. China's importance can be seen in the statistics, as its share is more than half of all exports (56.7 percent). The rest of the world's countries together make up the second place, while ASEAN, Europe and the United States share an almost equal slice. When it comes to exported goods (Figure 5), by far the largest share is electronics (72.5 percent), followed by jewelry, food, watches and clocks and others. (Yeung 2023.)

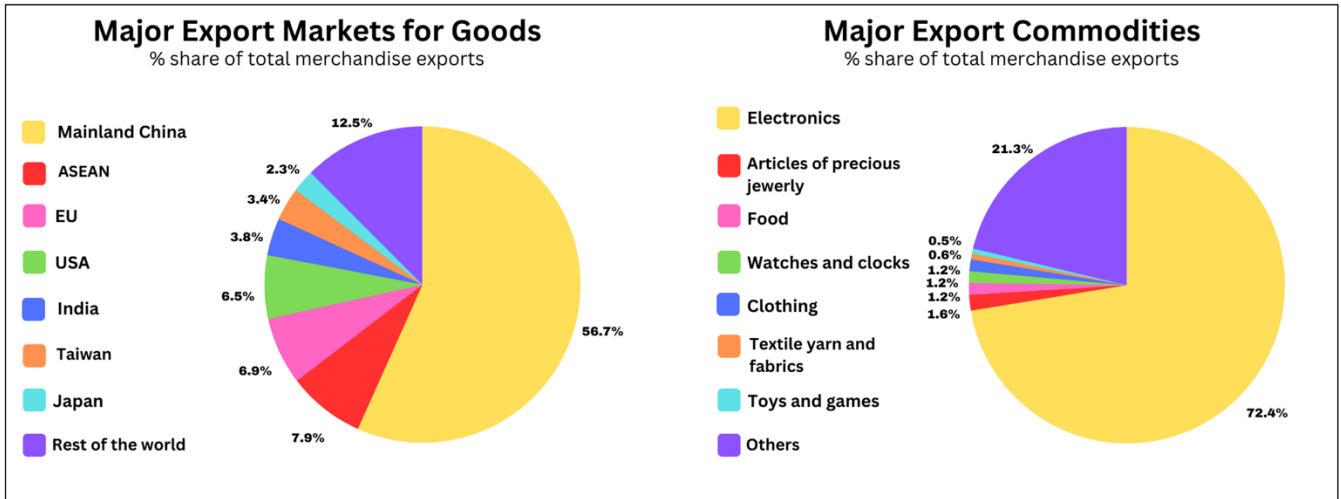


Figure 5. Hong Kong's Major export markets and commodities (adapted from Yueng 2023)

Finally, the last Key Industry is professional services and other producer services. This industry is very broad and includes services such as legal, accounting and auditing services as well as architecture and engineering activities, technical testing and analysis and other professional services like information technology and advertising. Much like the financial industry, despite the pandemic, this industry has grown by 5.1 percent from 2020 to 2021, and employment has also risen by 0.4 percent in the same years.

The Four Key Industries of the Hong Kong economy generated a total of 198.05 billion USD in value added and employed 1,473,000 people in 2021. Compared to 2020, the value added increased by 9.8% while employment decreased by 2.6%. (Census and Statistics Department 2022b.)

In addition to researching the industries and numbers individually, let us quickly study the industries from the GDP perspective. This means the percentage of the value added of these industries in Hong Kong's economy. Figure 6 below from 2021 shows the percentage share of each industry, where understandably financial services and trading and logistics provide the biggest amount to the city's economy. However, 'other industries' have the highest percentages in total (43.6 percent) and, for this reason, the author is briefly going to look at Hong Kong's other industries in a little more detail.

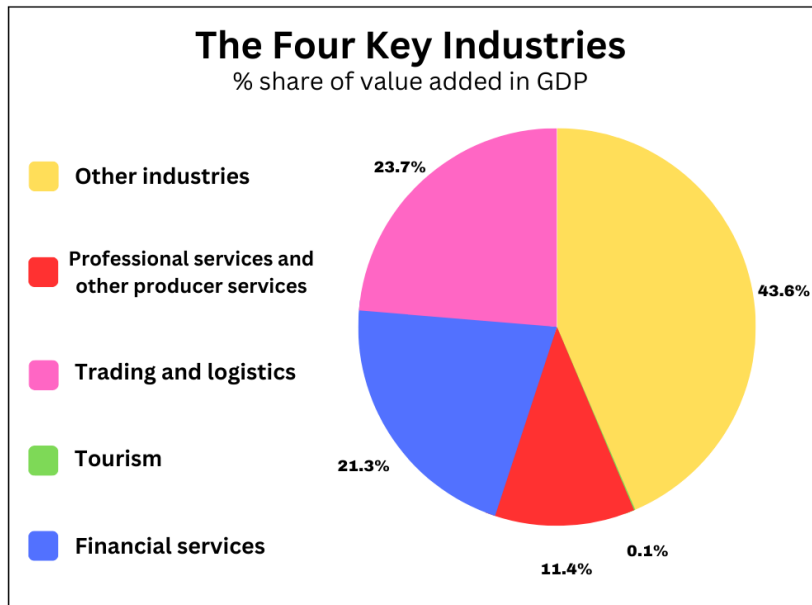


Figure 6. Percentage share in GDP of the Four Key Industries in 2021 (adapted from Yeung 2023)

While the Four Key Industries have been identified as resource for economic growth since 2002, other industries are also essential for the economy. The Hong Kong government has promoted six industries (Six Industries) in particular: cultural and creative industries, education services, medical services, environmental industries, innovation, and technology, and testing and certification services. These Six Industries were identified in the 2009-2010 Policy Address by the Chief Executive at the time because of their solid strengths in increasing the local economy. (Legislative Council Secretariat 2015.)

Latest data provided by the Census and Statistics Department on the Six Industries is from 2017. Back then, they generated up to 28.91 billion USD in value added, representing a value of 8.9 per cent of GDP. The largest of the six is cultural and creative industries which produced close to half of the total amount. (Census and Statistics Department 2019.) Main subcategories in cultural and creative field are the domains of software, computer games and interactive media, whose importance is grown tremendously today due to rapid technological development. Other essential subcategories are, for example, advertising, art, and cultural education.

The increased demand in medical infrastructure and medical services provided by private clinics was the reason the second largest industry in 2017 was medical services. The third industry was education services, which grew from the demand for kindergartens, private elementary schools, and other university courses. (Legislative Council Secretariat 2015.) The remaining three industries, in order from largest to smallest, were environmental industries, innovation and technology and testing and certification services. These sectors were relatively equal in economic sense, and demand in each sector was fueled by, amongst other things, investment in sustainable

development, research and development, and medical testing and certification services for management systems. (Census and Statistics Department 2019.) Figure 7 below shows the most important and common subcategories of each industry.

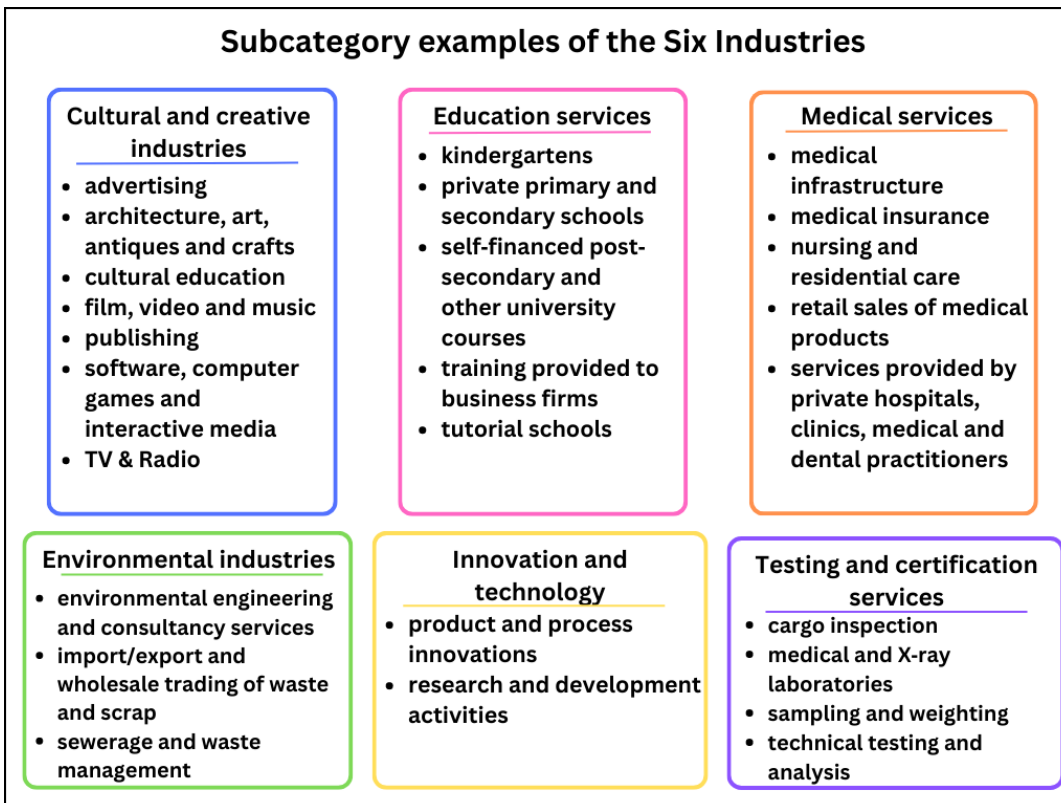


Figure 7. Six Industries with each example subcategory (adapted from Legislative Council Secretariat 2015)

### 3.3 SWOT analysis for Hong Kong's market and economy

A SWOT analysis is a beneficial tool that can be used to examine four different categories for a desired topic. Typically, SWOT analysis are used by companies when wanting to research or develop their business, but it can also be applied to, for example, research the economies of different countries.

The analysis evaluates both internal and external factors as well as the present and future. In addition, it separates factors that are either helpful or harmful to the object in question. SWOT analysis is divided into four sections or boxes: (S) Strengths, (W) Weaknesses, (O) Opportunities and (T) Threats. (Sarsby 2012.) Figure 8 shows a traditional SWOT table with internal, external, helpful, and harmful factors included.

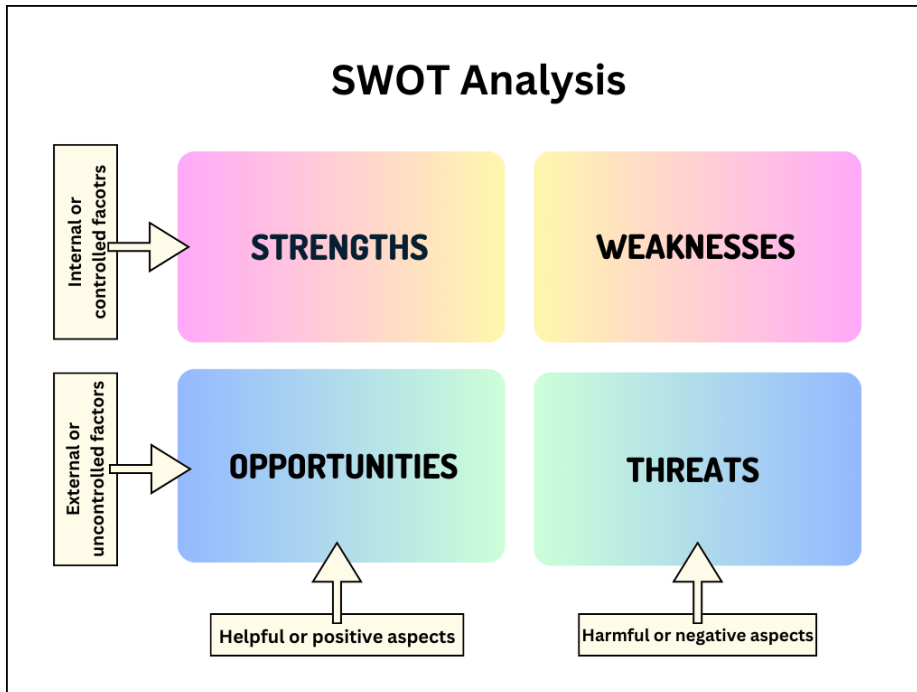


Figure 8. Basic SWOT analysis model (adapted from Sarsby 2012)

As can be seen from Figure 8, Strengths are internal and positive. They describe all the assets of the object and things that differentiates it from others. Next up are Weaknesses which are internal and negative. Weaknesses mean all those factors that cannot be used as an advantage. In other words, they prevent the object from performing at its best and should be improved as effectively as possible. A general example of a weakness can be a bad reputation or a large debt. (Sarsby 2012.)

Opportunities are external beneficial factors that cannot be influenced. They can arise from different places. For example, new trends or new technological discoveries can be Opportunities. Threats are external and harmful. These factors damage the studied object and, much like Opportunities, cannot be influenced. Extreme examples of Threats include recession or war.

The SWOT analysis is a useful tool, because after identifying all the boxes, it leads to enlightening results where fresh perspectives and new ideas can be seen. (Sarsby 2012). Therefore, it works also perfectly with this research, where the main goal is to specifically to find out all the Strengths, Weaknesses, Opportunities and Threats of the Hong Kong market and economy.

### Strengths

Hong Kong's greatest strength is possibly its location. The city's connection to mainland China has already been emphasized a lot already, but the emphasis is for a reason. Thanks to its location, foreign companies can easily get to the mainland to do business, and in turn, mainland companies can go global. In short: "Hong Kong is China's window to the world" (Planning Department 2016.)

Also, the previously mentioned GBA should not be forgotten, which also uses Hong Kong as a business development platform (HKTDC Research 2020b). Finally, Hong Kong is one of the world's busiest ports and airports, and the city reaches a huge number of people even in a short flight time.

The next strength is Hong Kong's well-known reputation developed from the city's well-functioning business environment. As Hong Kong is known for being one of the world's leading financial and economic centers, it also attracts a lot of business and business minded people. It is a well-known capital-raising center as well as a significant banking and insurance center. (Planning Department 2016.) Hong Kong is full of business opportunities and potential, and year after year, it is recognized for this. For example, in 2020, the city was ranked fifth most competitive among 63 economies around the world. (HKTDC Research 2020a.)

Lastly, a strength worth highlighting is the taxation. Hong Kong is recognized as a city having one of the lowest tax rates as well as least forms of taxation in the world. Its tax system is straightforward and competitive, providing advantages for business owners. There is a territorial-based system, meaning that taxes are only imposed on income that is sourced in or derived from Hong Kong. When contrasted with other cities in the GBA, there is no contest in terms of personal payroll taxes and corporate profits taxes. (HKTDC Research 2020a.)

### **Weaknesses**

While taxation is one of the lowest in the world, the cost of living and operating a business in Hong Kong is among the highest globally, which can pose challenges for startups and smaller businesses. The city's expensive properties, especially in the popular expat areas on the HK Island area, such as Mid-Levels, Sheung Wan and Soho, rent prices are high and Hong Kong faces challenges in retaining talent due to its elevated expenses for living and housing. Therefore, it is important and necessary for Hong Kong to formulate tactics aimed at reducing the increased cost of living for international talent for the overall appeal of the city. (HKTDC Research 2020a.)

As we learned earlier, Hong Kong has only few natural resources on its own, so the city is highly dependent on imports for its energy and raw materials. In addition to limited natural resources, another issue we learned while studying wages was the large disparity between the poor and the rich making the third weakness income inequality. The previously described bad working conditions can also be added to the Weakness category.

### **Opportunities**

GBA integration is a possibility that has been mentioned quite a few times. The importance of this initiative is based solely on the fact that it creates new cooperation opportunities and market access. During the authors time in Hong Kong, the city was noticeably passionate about sustainability and being green. Hong Kong can keep raising consciousness about environmental protection and ecological preservation and take advantage of global trends towards sustainable development (HKTDC Research 2020b). With increasing awareness in the city, businesses can also move towards a greener future.

Another noteworthy opportunity for Hong Kong's international business is the increase in cross-border transactions thanks to the Belt and Road Initiative (BRI) which will enhance its position as a key trade and financial hub. Innovations and technology are also considered opportunities as these industries are important to the city. Investments in research and development, as well as technology-focused industries, can drive economic diversification and growth. (HKTDC Research 2020a.)

### **Threats**

Lastly the threats. Political uncertainty has been a threat to Hong Kong and has been for many years. As mentioned in section 2.1, the threat results from the relationship between Hong Kong and mainland China and the various protests against the 'One Country, Two Systems' arrangement (Little 2019). These situations are particularly bad, as they can lead to great uncertainty, affect negatively in investor confidence and also local businesses.

The author wants to also highlight the general public health issues, such as pandemics that disrupt economic activity and cause health and safety risks for the population. The best example of this is Covid-19, which when the author was in Hong Kong ruled the city for a long time, even though other countries had already returned to normal life. The pandemic brought the city to a standstill and its economy faced significant challenges and disruptions. Lastly, thanks to Hong Kong's location, the city experiences quite a lot of Typhoons and other natural disasters during the peak season which usually is between June and October. (Leung 2023.)

From Figure 9 below, the reader can find a recap of the SWOT analysis including the previously mentioned strengths, weaknesses, opportunities, and threats in Hong Kong's market and economy.



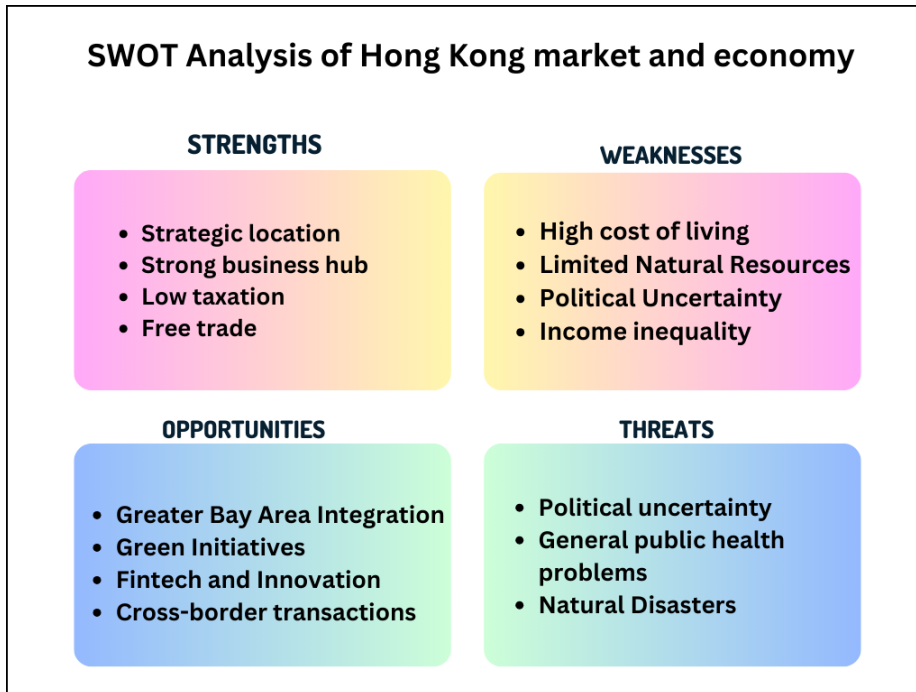


Figure 9. SWOT Analysis of Hong Kong market and economy

### 3.4 The different options and stages of company expansion

We have reached the last chapter of the theoretical part. So far, we have explored Hong Kong rather superficially, studying its culture, market economy and major industries. Now it's time to dive deeper and study the steps a company needs to take when starting its operations in Hong Kong. A company that is already conducting business in a different country, three alternatives are available: incorporate subsidiary company, branch office, and representative office. However, representative office is fairly different from the other two. The representative offices cannot engage in trade or any profit-making activity, nor sign or conclude contracts. Additionally, its activities must be limited to promotional and liaison activities, market research and coordination on behalf of the parent company. While establishing a representative office provides a valuable opportunity to test and study the business environment before committing large scale investments, it does not work as a profitable entity. (GuideMeHongKong 2023a.)

For that reason, the chapter concentrates on the remaining two choices, which are also the dominant options among foreign businesses in the city. Although both options are similar when it comes to the application process, their content differs and consist of different rules and regulations. Finally, Table 1 (on page 26) gives the reader a broader understanding of the three options by presenting the key differences between a branch, subsidiary, and representative office in the context of business operations in Hong Kong.

### 3.4.1 Incorporate subsidiary company

Establishing a Hong Kong subsidiary is the most favored and common choice for the majority of foreign companies, offering the company limited liability and numerous tax benefits. A subsidiary operates as an independent legal entity from its foreign parent company, so the subsidiary's responsibilities do not extend to the parent company. Additionally, locally registered companies can gain advantageous access to the Chinese mainland market, thus benefiting from the free trade agreement between the two regions. (GuideMeHongKong 2023a.)

Setting up a subsidiary usually takes less time than registering a branch office. The company is required to maintain accurate accounting records, and its financial statements must give a correct picture of the company's financial position and result. The company's accounts must also be audited annually and submitted to the Hong Kong Inland Revenue Department (IRD), which is "the government department responsible for taxes and duties in Hong Kong" (Théaud 2023b). The company address must also be registered, and it must be either a physical address, a commercial office, or a home office, and not, for example, a Post Office box.

Other essential requirements for registering a subsidiary include approval of the business name, a local company secretary, and at least one director and shareholder. The company is required to have share capital, yet there is no mandatory minimum or maximum amount. In terms of taxation, the subsidiary is treated as a Hong Kong resident company, so it is subject to the same taxation systems and tax rates as other private limited companies in Hong Kong. (GuideMeHongKong 2023b.)

The establishment procedure itself is quite straightforward and includes two steps: approval of the company name and company registration. The company name must comply with the Company Name Guidelines and needs to be approved by the Companies Registry. (GuideMeHongKong 2023b.) It is important to check from the Hong Kong Company Registry's website that the company name is available, is not generally offensive or otherwise against the public interest (Théaud 2023b). Next, the company must register as a registered non-Hong Kong company within one month of establishment. A successful application is usually processed within 4-7 working days, after which the company register issues a company certificate. (GuideMeHongKong 2023b.)

Depending on the company, different documents must be sent to the company register. Perhaps the most important of these documents is form NN1, which provides the company name, head office address, details of directors, company secretary and authorized representative in Hong Kong. Other important documents include a certified copy of the document defining the company's articles of association, company's certificate of incorporation, and a copy of the company's most

recently published financial statements. In addition to these, the company must submit a notice form called IRBR2, to the Business Registration Office which is returned at the same time with the NN1 form. Termination of a subsidiary operating in Hong Kong can only take place through liquidation or deregistration. (Companies Registry 2023.)

Although one can find comprehensive information about registering a new company from the Companies Registry website, the registering process might still feel difficult. During the author's research on the topic, it was discovered that many professional services and consulting companies specialize in helping individuals and companies register their businesses in Hong Kong. These companies can offer assistance with various aspects of starting a business, including legal requirements, paperwork, documentation, and navigating regulatory processes. They can help facilitate the process and ensure that all the criteria required to register your company in Hong Kong are met.

The author noticed that the registration packages can vary significantly between different companies, so before hiring the first company one sees, little research should be done and a company that suits the applicant and their budget should be chosen. In case one doesn't need an external company to help with the registration process they can also complete the process alone and just pay any fees associated in the application. According to the Companies Registry's (2023) website, the fee for a non-Hong Kong company's registration (NN1 and IRBR2) is HK\$1,545 when submitted electronically.

### **3.4.2 Branch office**

A branch office in Hong Kong refers to a business entity that is established by a foreign company (otherwise known as the parent company) to conduct commercial activities within the territory of Hong Kong. Unlike a subsidiary, a branch office is not a separate legal entity from the parent company, but acts as an extension of the parent company, thus carrying out its activities under the same legal identity. This also means that the foreign parent company is accountable and responsible for all the branch's debts and liabilities. (GuideMeHongKong 2023a.) Creating a branch office in Hong Kong provides the parent company with the opportunity to grow its activities, enter the local market, and take advantage of the prosperous business climate.

As with subsidiaries, it is mandatory for all branches to register their business with the Companies Registry and the Inland Revenue Department. After registration, the company receives a company Registration Certificate, which is updated every year. (Osome 2023.) The certificate contains the company's tax number and needs to be displayed in the office premises at all times (GuideMeHongKong 2023b).

The requirements for setting up a branch office are almost the same as for a subsidiary. The company name must be approved, at least one person resident in Hong Kong must be authorized to receive legal notices delivered to the company, and the established place of business must be located in Hong Kong. The same legal and tax consequences apply as for local Hong Kong companies, and in addition, branches must comply with ongoing compliance requirements such as filing annual and tax returns and comply with other disclosure requirements. Documents included in setting up a branch include a properly filled-out form containing information about the branch office, parent company documents such as the company's certificate of incorporation, articles of association (MAA), latest audited financial statements, as well as a copy of the parent company's Certificate of Registration. In addition, the process involves additional documents depending on the nature of the parent company and the operation of the branch office. (GuideMeHongKong 2023b.)

Table 1 below summarizes previously learned different entity options in Hong Kong. The comparison table for subsidiaries, branches and representative offices supports the material learned above more firmly and gives the reader an even better understanding of the different options and their content. It's good to remember that the table provides a general overview and that specific details can vary based on business's industry, structure, and individual circumstances.

Table 1. Comparison table of business entities in Hong Kong: Subsidiary Company, Branch Office, and Representative Office (adapted from GuideMeHongKong 2023a & Kwok 2020)

	<b>Subsidiary Company</b>	<b>Branch Office</b>	<b>Representative Company</b>
<b>Name</b>	Same or different as parent company	Same as parent company	Same as parent company
<b>Separate legal entity</b>	Yes	No Liabilities extend to the parent company	No Liabilities extend to the parent company
<b>Ownership</b>	Can be 100% foreign or locally owned	An extension of the parent company only	An extension of the parent company only
<b>Business activities</b>	No restrictions	Must be the same as the parent company	Only promotion, liaison, marketing, research, and other non-profit bearing activities
<b>Appointment of key officer</b>	Director, Shareholder, and local company secretary	Local authorized representative	Chief representative located from parent company
<b>Filing annual returns with Companies Registry</b>	Yes	Yes	Not applicable
<b>Taxation</b>	Corporate tax applies	Corporate tax applies	No tax liability
<b>Registration timeline</b>	4-7 working days	14 working days	1-2 working days
<b>Regulations</b>	Hong Kong Company Law	Hong Kong Company Law	Limited by activity
<b>Opening a bank account</b>	Yes	Yes	Yes

### 3.4.3 10-step guide

Apart from applications, documents, and regulations, the expansion process contains numerous other factors that certainly need consideration. With that in mind and based on all the previously studied information the author has created a 10-step guide that applies to both foreign company establishment options: Subsidiary company and Branch office. The main focus of the 10-step guide is to give the reader an idea of the order of the process (from start to finish) before their company is officially launched in Hong Kong. However, it is good to remember that the guide contains general steps and does not necessarily apply to all companies, as the requirements may vary depending on changes in circumstances and regulations. Figure 10 below, demonstrates the main steps that a new foreign company founder usually needs to follow in Hong Kong.

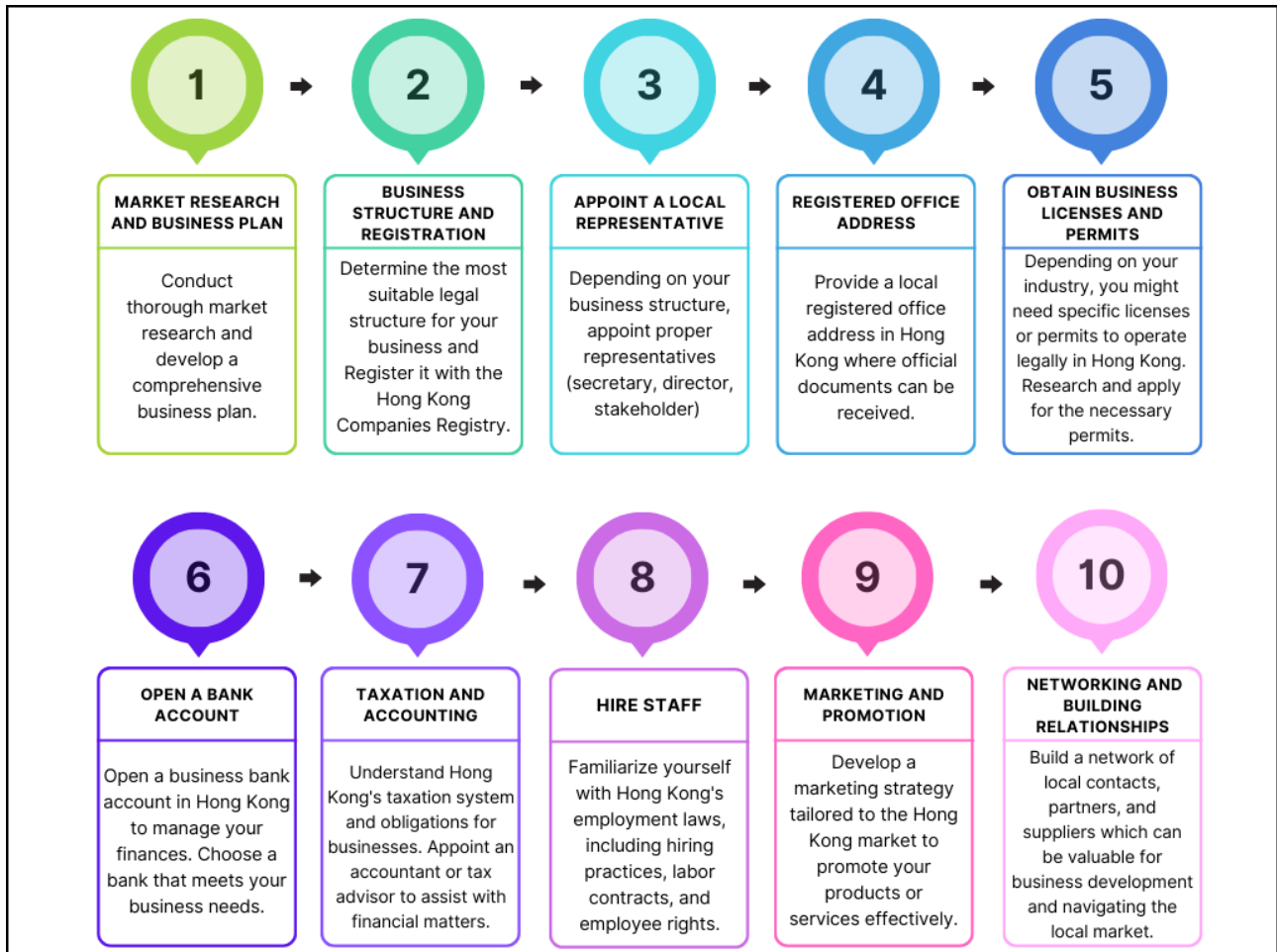


Figure 10. 10-step guide to starting a foreign business in Hong Kong (adapted from Théaud 2023b & GuideMeHongKong 2023a & Osome 2023)

While each of these ten steps hold significance in initiating a business, the author wants to provide more in-depth insights into a selected few of them. As explored also in this research, the first step for a company is to conduct thorough examination on its own industry and consider various factors such as understanding the target audience, competition, and industry trends. (Théaud 2023b.) Additionally, it is imperative to create an extensive business plan that outlines business goals, strategies and tactics and includes financial projections, budgeting, and a clear marketing plan (Osome 2023).

Step five is broad and includes different things based on the nature of the business. Most common licences include, for example, Import/Export Licenses for trading companies, General Restaurant License and Liquor License for food-related businesses and Financial Services License for companies providing financial services (Théaud 2023b). Step eight, hiring staff, involves a strong understanding about Hong Kong's labor laws. Especially in a situation where the founder plans to work or reside in Hong Kong, the necessary visas and work permits need to be obtained for themselves and for any employees. It is vital, for both the employer and the employees, that regulations

regarding employment contracts, benefits, and statutory requirements are studied and obeyed. (Osome 2023.)

In addition to these ten steps, it's worth noting few additional general topics that the company will likely need to consider. As previously learned in the SWOT analysis chapter, Hong Kong is an expensive city where properties, especially those located in popular and touristic areas, can be rather costly. Therefore, the office's location can have a significant influence on the company's performance and overall success. According to the author's previous experience and understanding, central Hong Kong is a financial and commercial hub, where areas such as Central and Admiralty are expensive and the supply of office space in these high-demand areas is limited. Kowloon side offers cheaper options, but despite the lower price, finding a suitable space can be challenging even there due to Hong Kong's general problem of limited real estate availability.

Lastly, it is good to understand that one of the company's continuous steps is to ensure ongoing compliance. Meaning that they need to stay compliant with ongoing reporting and filing requirements, such as annual audits and renewals (Théaud 2023b). This includes documents such as audited financial statements, tax returns to the Inland Revenue Department, renewal of Company Registration Certificate, and file annual returns for non-Hong Kong companies with the Companies Registry. (Théaud 2023a.) This is where the company secretary comes in extremely handy as they ensure that the company remains compliant and submits the required documents on time.

## **4 Introduction of experts, companies, and qualitative research method**

The second part of this thesis is the research phase, which was done by interviewing five different people. The author started looking for interviewees by emailing companies that they knew were doing business in Hong Kong or who were experts on the city's business culture and market. Finding the suitable interviewees was rather easy as the author had previous internship experience at the Finnish Chamber of Commerce in Hong Kong and was familiar with what each individual or company did in the city. In the end, five experts with different knowledge and experience were found for the interview. This chapter introduces the chosen experts and companies for the research.

### **4.1 Chosen experts for the research**

This research includes five interviews featuring experts, each acting as a representative for their respective companies. Among them, three interviewees represent individual Finnish companies with a longstanding presence and operations in Hong Kong. One company is currently in the process of possibly expanding into the Hong Kong market and the remaining participant is an expert related to Hong Kong's business environment and has extensive experience and knowledge related to the thesis topic. Personally, the author is particularly interested in the company that is currently in the early stages of a possible expansion process which provides the research with very up-to-date and personal data about the process. The company in question is currently looking for a distributor, which will affect the continuation of the business and the possibility of expanding to Hong Kong.

All interviews were conducted in Finnish and using the business communication platform Microsoft Teams. The interviews were recorded, after which they were transcribed and translated from Finnish to English. The interviews were conducted in September 2023 and the duration of the interviews varied from 30 minutes to an hour. Three experts gave permission to publish their name and the name of their company or workplace in the thesis. The two interviewees who did not give publication permission, are presented as 'Expert A' for 'Case Company A' and 'Expert B' for 'Case Company B'.

#### **4.1.1 Expert A – Case Company A**

Expert A is the founder and Chief Executive Officer of Case Company A. While in Hong Kong, Expert A noticed an absence of Nordic food products and identified a market gap in this area. Upon that realization in 2016, Case Company A was founded. The company consists of a group of Nordic food industry professionals and its main focus is rock-solid experience and knowledge in the Asian food industry as well as high-quality food products. Their products are delivered to



customers from Europe, especially from Northern Europe. On their website, the company explains, that the main focus of cooperation with the world's leading and established producers is especially with Northern Europe, as Nordic farmers understand the importance of pure genetics and natural feeding methods.

Case company A acts as a sales organization for its Nordic business partners in the Asian market. They are very visible in Hong Kong and have partners for example in Singapore, Korea, Japan, China, and Taiwan. The company takes its global network of business partners, customers, and other associated companies seriously and believes that open and fair trading is an important foundation for sustainable business success. Their selection includes, among other things, high-quality protein meats, dairy products, processed foods, fruit juices, alcoholic beverages, frozen berries, as well as pastries. (Expert A 12.09.2023.)

#### **4.1.2 Expert B – Case Company B**

With nearly two decades of experience in Hong Kong, Expert B specializes in e-commerce. Currently, the entrepreneur oversees Chinese procurement services for a major online retailer. Case Company B was founded by Expert B as an online store in Hong Kong in 2006 to sell the latest Chinese electronic products, gadgets and sports and outdoor equipment. The main purpose was for Finnish and Swedish people to have a safer and more comfortable way to order Chinese made electronic gadgets online at competitive prices. By 2014, the company had offices and warehouses in Hong Kong, Shenzhen, China, and Mäntsälä, and sold more than 10,000 products per month to Finland, Sweden, and Spain.

Today, Case Company B employs approximately 40 people, each of whom play an important role in the company. About ten Finnish workers test new innovations and gadgets every day at the Shenzhen factory, as they ensure that the products meet clients' quality expectations and requirements. The best items are accepted to the selection or enhanced with the companies own OEM-/ODM-capabilities. Finnish- and Swedish-speaking customer service representatives are responsible for the company's customer inquiries and after-sales situations and a group of Chinese procurement and logistics professionals negotiate prices, monitor production, and ensure timely deliveries. In addition, the company's team also includes programmers, marketing experts, retail representatives and B2B salespeople. (Expert B 25.09.2023.)

#### **4.1.3 Mika Finska – Consulate General of Finland in Hong Kong**

Mika Finska has lived in Hong Kong for a little over two years and works at the Consulate General of Finland in Hong Kong under the job title "Consul Trade and Investment". His main task is to help Finnish companies, both those coming to Hong Kong and those already there. Finska explains how

he focuses on two key areas: The first is identifying and creating business opportunities in different ways, and the second is building and maintaining investor relations. In addition, he handles regular consular tasks, such as Finland's Country Branding and country image work and assisting in other tasks, excluding visa and passport matters. (Finska 21.09.2023.)

#### **4.1.4 Joakim Heino – Aware-Minds**

Joakim Heino specializes in business development for European and US companies aiming to enter the Asia-Pacific market (APAC). His expertise lies in building sales channels and advancing business development. Heino serves as the expert for a company called Aware-Minds. Aware-Minds is an agile consulting partner established in 2009. Their mission is to empower businesses and individuals by harnessing the power of human potential, sales excellence, and cross-cultural understanding. Their focus is twofold: Facilitating European business expansion in Asia and unlocking executive potential.

Facilitating European business expansion in Asia is for European enterprises aspiring to thrive in the dynamic Asian markets, to which Aware-Minds offers comprehensive support. They serve as a strategic partner, facilitating market entry, boosting sales performance, sales channels and streamlining operations. Hong Kong, with its strategic location and business-friendly environment, is the ideal launchpad for businesses seeking to conquer Asian markets. Aware-Minds stands ready to pave the way, helping European companies establish their Asian presence and navigate the intricacies of this diverse and often challenging business landscape.

In addition, Aware-Minds is dedicated to nurturing the growth of executives. The company understands the challenges of navigating in VUCA world and excelling in leadership roles in a multicultural context. Their seasoned experts are equipped with profound knowledge and psychological tools to guide executives through this transformative journey. Aware-Minds ensures they maximize their potential, navigate cultural nuances, and become effective leaders in diverse environments. The target audience based on individual life stages or company development stages. (Heino 06.09.2023.)

#### **4.1.5 Tuomas Lilleberg – WellO2**

Tuomas Lilleberg specializes in opening business units for companies in different countries. With an initial background in the industrial B2B sector, Lilleberg has expanded his expertise to include B2C markets. He has a work history of three years in the United States, followed by 12 years in China, and the most recent 1.5 years in Hong Kong. Lilleberg represents the company called WellO2. WellO2 is a Finnish company that offers an innovative and patented steam breathing exercise device intended for improving users' own well-being. The device, also named as WellO2, was

first launched in Finland in 2016. Steam breathing reduces irritation of the respiratory tract and naturally cleans the lungs, promoting the removal of mucus, pollen, dust, and air pollution.

The WellO2 device typically involves inhaling and exhaling against resistance to strengthen the respiratory muscles. Due to this, the device is particularly beneficial for a range of individuals, including athletes looking to enhance their lung capacity, people with respiratory conditions seeking relief for their symptoms, and even individuals interested in improving their sleep, general wellness, and relaxation techniques. In addition to the original breathing device, their product selection also includes new WellO2 MyBreath smart mouthpiece, which is connectable to a smartphone application. MyBreath smart mouthpiece allows you to measure, track and improve your breathing in a new innovative way with the WellO2 APP, which includes different types of training programs to help you improve your breathing. (Lilleberg 19.09.2023.)

#### **4.2 Interview as research method and data collection**

The author has decided to use interview as a research and data collection method, because they provide deeper insight into the topic and give the researcher the opportunity to gain a broad understanding of the researched theme. Interviews also capture much more personal experiences that may not be captured by surveys or quantitative methods. (Tuomi & Sarajärvi 2018.) Another positive factor about interviews is that they allow researchers to explore aspects and variables they may not have originally considered, leading to new insights and research opportunities. For this reason, the author uses a semi-structured interview method, meaning that the interview consists of several research related and previously defined key questions, but also allows the interviewer or the interviewee to deviate from the topic by, for example, by asking follow-up questions. Semi-structured interviews are flexible and also enable the discovery of information that the interviewee thinks are important, but which the researcher may not have considered important before. (Chadwick, Gill, Stewart & Treasure 2008.)

Although interviews can be valuable tools for gathering information, they also come with few problems and limitations. Since this research has five interviews and each one has a dissimilar experiences from Hong Kong, the answers may vary considerably. As a result, interviews may face the problem of ensuring reliability because what has been easy for one could have been incomprehensibly difficult for another. (Chadwick, Gill, Stewart & Treasure 2008.) Another issue relates to bias as interviewers can unintentionally add bias to the interview process. The bias can be caused, for example, by personal beliefs, experiences, stereotypes, or predetermined notions about the subject. This can lead to unfair or inaccurate assessment. (Tuomi & Sarajärvi 2018.) Final problem with data collection is that some interview topics may be sensitive or personal, in which case the

interviewees may not want to share certain information, even if it would be necessary for the research or decision-making process (Chadwick, Gill, Stewart & Treasure 2008).

## 5 Interview results

This chapter examines the outcomes of the interview. The interview consisted of four different categories: background questions, business culture of Hong Kong, expanding to the Hong Kong market, and the future of Hong Kong. The questions in each category have been carefully thought through to obtain the most favourable research results. The author now goes through each area, presenting the key results from the interviews. Direct quotes from the respondents have also been used in the presentation of the results.

### Background questions

In the background section, the interviewees were asked for more information about their companies and their own roles in the company. In terms of the research, perhaps the most interesting question was about their motivation to expand or open a business in Hong Kong in the first place. Of the four companies, two had established their company in Hong Kong more than 10 years ago, while the third had been operating for seven years. All these three companies established their business directly in Hong Kong, and therefore did not expand from Finland.

“Well, we didn't really expand because we started here, so we started from a clean slate. We realized that there weren't very many Finnish and other Nordic food products here (well, there still aren't, but especially there wasn't practically anything). So, we thought that there would be a kind of market niche that we could try to enter.” (Expert A 2023.)

“I moved to Hong Kong from Shanghai in 2008. Then I realized that it was a better place to repatriate money logistically. There were many points in favour of coming to Hong Kong from Shanghai. From there, I gradually founded my own company.” (Heino 2023.)

During the interviews, it became evident that initiating a company from the ground up and expanding a company to Hong Kong from any country worldwide are nearly identical processes. Meaning that the applicant must fill out the same applications and go through exactly the same procedures regardless of whether the company is new or expanded. WellO2's representative Lilleberg (2023) explained that they were interested in not only Hong Kong but also other Asian and European markets. This meant that, for them, Hong Kong was just one option among other countries.

“We are operating in Finland and the Nordic countries at the moment and are looking for new markets where we would like to enter. And of course, we are looking in Europe, but also here in Asia. And this Hong Kong market is not our intrinsic value, that we should enter here in particular, but in general different markets in Asia. The Chinese market is of course the largest and most attractive, but so are all the other markets here in Southeast Asia.” (Lilleberg 2023.)

Each respondent had some previous experience and background of living or working in Asia prior to starting a business which, according to them, made it easier to start or consider starting a business in Hong Kong.

## Business culture of Hong Kong

The next theme in the interviews was Hong Kong's business culture which consisted of three questions. The first was to examine the pros and cons of doing business with Hongkongers. The question led to a relatively extensive discussions and numerous interesting answers as the respondents expressed their own opinion on the matter quite strongly. A lot of similarities were mentioned when, for example, the respondents explained that the city and the locals are very Western-minded.

"Strong English language skills. Western business culture, which is not exactly fully Western, but the English language and a strong English cultural history makes doing and starting a business a lot easier." (Finska 2023.)

Lilleberg (2023) and Expert B (2023) also mentioned internationality as a plus. As both of them had prior experience working in China, they also drew comparisons between their experiences from there.

"Based on my experience, I compare to the Chinese, since I have lived in China for the last 12 years and here in Hong Kong for the last year, the big advantage here in Hong Kong is that locals have lived under British rule and with a lot of Europeans and Westerners, so the business culture here is more westernized than in China. And people here speak much more English." (Lilleberg 2023.)

"Very international, people speak English, the legislation is clear, and things are based on the law. There is no corruption or regulation or ambiguity and chaos. Law and order works." (Expert B 2023.)

Along with their internationality and strong English skills, positive remarks were shared about the efficiency of Hongkongers and the effectiveness of business operations in the city.

"This is a very money-oriented city, so business is more direct. Cultural questions like who you do business with and what culture they are from, don't matter so much. Whereas Finland, I think, is more based on relationships, who to sell to and who is a good partner. In Hong Kong, more attention is paid to the bottom line. It's very straightforward." (Heino 2023.)

Expert A (2023) shared the same visions on the subject.

"Well, an advantage is that it's freer here and there aren't so many different Finnish-type or other...restrictions. Doing [business] is quite free. You can focus on the business and not on all kinds of bureaucratic issues surrounding the business. And there are no complicated tax or other systems here. It's very simple in that sense. As the market is quite dynamic, decisions usually always come quickly. You make an offer, and then people can quickly tell if they are interested. Faster decision-making is a plus here." (Expert A 2023.)

At the same time, Expert A (2023) talked about the disadvantages of the very same topic.

"Of course, the flip side of the coin is that if there was a new product, and somehow you should focus on it a little longer and think about how to market it. ...It's a bit difficult with the Hong Kong mentality, as they are traders by nature. They can't concentrate for very long. If, in the long run, you have to focus on an investment where you can see the end result only after

several years, that doesn't really fit Hong Kong's business culture. Hong Kong is a trading city." (Expert A 2023.)

Other disadvantage mentioned was networking which was called time-consuming. Several respondents also noted encountering challenges with their staff, either during the recruitment phase or due to issues related to commitment. Finska (2023) also emphasized that although the city has more western influence compared to other Asian countries, it is important to remember that the city still has Asian Hong Kong culture and is not entirely western.

The next question dealt with cultural differences between Finnish and Hong Kong people in the business world. Four respondents provided identical feedback, once again mentioning the efficiency of Hongkongers. They found Finnish business and cooperation with others to be slow and decision-making was said to take a long time. In Hong Kong, on the other hand, an answer is expected almost immediately, and the atmosphere was described as much more business oriented.

"The cultural difference is that in Finland we are extremely slow. Pondering and not getting things started. But with the Hong Kong mentality, they have to get what they want right away, and if they don't get it right away, then that situation has already passed. The time requirement for doing things is different. Finns need a lot of time and want to prepare and think about whether or not it's worth it. Hongkongers just want to test. It's a trading culture versus Finnish engineering culture." (Expert A 2023.)

Heino (2023) brought up a particularly good point that was already discussed in Chapter 2.2. This was the importance of hierarchy, especially in business meetings. He explained that in a traditional Hong Kong company, the participants with the highest ranking are always the first to enter the conference room, followed by the rest in the order of their position in the company. He also stated how the relationship and attitude with money is different.

"Hong Kong is very straightforward. Here you can brag about your money and when you do it in Finland people think 'what a strange person'. Here it is quite normal that you made a good deal and bought a Ferrari. Here there is no need to be ashamed when talking about business and while talking what kind of deals you have going on." (Heino 2023.)

The final question in the cultural section focused on China's influence and the recent disturbances that have been affecting the city. By disturbances, the author refers to the protests that played a big role in the city starting from 2019, which were also mentioned in Chapter 2.1. Four respondents stated that the city is becoming more and more Chinese in a sense that China's influence is growing and is more visible in the cityscape. Expert A (2023) and Lilleberg (2023) both commented loosely on the matter by saying that nowadays there are more Chinese tourists as well as Chinese companies in the city. The overall atmosphere appears to be slightly more tense than in the past, with both locals and Westerners observing a noticeable increase in uneasiness and uncertainty regarding future developments.

As for the protests, Expert B (2023) and Finska (2023) mentioned Hong Kong's reputation.

“Hong Kong still has a fairly bad reputation in Europe and in Finland, partly because of the protests. And one of the reasons for that is that...the European media has covered that riot pattern quite strongly. On the other hand, as a result, the Nationality Security Act NSL was enacted, which most companies consider to be a good thing.” (Finska 2023.)

“In general, Hong Kong’s international reputation has taken a bit of a hit. This used to be a much more attractive place, it’s not so attractive anymore. For example, if we think of a family with children, they may not be as thrilled to move here anymore than, say, five years ago.” (Expert B 2023.)

### **Expanding to the Hong Kong market**

The third category was the most relevant for the thesis. It comprised of six questions related to establishing or expanding a business in Hong Kong. This category was also the first where responses were no longer as unanimously consistent as in the previous categories. The first question in the category focused on the challenges that the interviewees faced in the initial stages of the expansion or establishment process. Aware-Minds and Case Company A did not face challenges as the experts of both companies described the process as extremely easy.

“There were no technical challenges when the company was set up. Starting a company has been made so easy that it’s hard to imagine a country where it would be easier. It’s like the old saying in Hong Kong that ‘you set up a business in the morning and you’re doing business in the afternoon’, and it’s pretty much true. Of course, there is bureaucracy and queuing, but the bureaucracy works.” (Heino 2023.)

Heino (2023) also commented that one of the things that made it easier to start a company depended on how much things were outsourced by hiring, for example, a local accounting firm. On the other hand, Expert B (2023) said to have struggled for years when their company had a really hard time finding suitable accountant company who could have handled their accounting and financial management.

However, the biggest challenge shared by all was found and was related to opening a bank account, which, according to the respondents, had become stricter and more difficult due to various scams. The following figure (Figure 11) presents comments the interviewees shared regarding opening the bank account.





Figure 11. Comments about opening a bank account in Hong Kong.

Finska (2023) shared plenty additional thoughts on the subject.

“The basic challenge that I have come across in my work is that Hong Kong is not really considered a market of any kind when viewed from Finland. It’s a bit small, it’s a bit far. Hong Kong is considered to be a place of finance, stock exchange and one of China’s cities.” (Finska 2023.)

Finska (2023) also commented on the city’s high cost, which causes some people to hesitate and question what would be the best solution to expand into the city. Because of the hesitations, the initial process can be long and tiring as companies have to think carefully about the most cost-effective options.

“...So first [companies] will visit to see what’s going on here. After that they do a little testing and piloting... Then maybe start to think about what our business model should be... whether to register and in what way and whether an investor or other partners are needed. These are the kind of questions that are typically considered by companies at a later stage once they have observed the value of the city for them.” (Finska 2023.)

The next question was related to how the company was registered in Hong Kong. WellO2 was the only one of the companies that had not yet registered, and they were not sure if the registration would ever happen. However, Lilleberg (2023) had had previous experience with registering a company in Hong Kong and felt that it was very easy. Other respondents agreed and said that registration is easy regardless of whether the company is local or foreign.

“We have a local company from Hong Kong. Most, as far as I know, register as a subsidiary. But it’s still easy to set up a company here.” (Expert A 2023.)

Finska (2023) again gave additional information on how some Finnish companies conduct their activities in the city, as he explained that most of the Finnish companies are not in Hong Kong themselves but have some kind of local retailer who buys the goods from Finland and sells them when they want and in the way they want.

The third question was related to how long it took each company starting from the decision to establish or expand the company until the day it was officially operational. The answers in the section differed greatly, which was possibly due to differences in how the respondents perceived the initial and official operational concepts. Some of the respondents said that the process took about a year, while others said that it lasted from a few days to a week. Because of this, the author believes that certain respondents only provided information about the time it took to complete different paper applications, and as a result, did not fully address the question. In general, the respondents were all in an agreement that the process was fast and Finska (2023) was able to tell that it generally takes one to two years to start getting some cash flow properly back.

The next question was about the opening or extension process itself, such as paperwork, applications, and various permits. Some issues with the bank account were mentioned again, but for example Heino (2023) thought that having a Hong Kong Identity Card made the process much easier. Otherwise, the answers didn't differ much when every respondent considered the process was quick and easy. Several used local companies' help, which made the process and necessary applications even faster.

"We used a company formation service company, from which other services could also be purchased, like company secretaries and so on. It doesn't cost many hundreds of euros to use that service company, I thought it was the easiest way. But you can just as well fill it out yourself, the paperwork isn't difficult at all, it's very easy." (Expert A 2023.)

"If you do basic trade work here, establishing [a company] is very easy. I've been told that coming up with a name can be challenging when you have to come up with a name that is not already in the register. Everything else was just normal paperwork and didn't take half a day when filling them out and sending them forward." (Lilleberg 2023.)

Finska (2023) emphasized that Hong Kong actively encourages companies to come and establish or register a company and also reminded about different aid-type sources that companies should take advantage of and apply for.

The fifth question dealt with the differences between the Finnish and Hong Kong business worlds and what the respondents think worked better in Hong Kong. The question once again sparked a lot of discussion and the best answers have been collected below (Figure 12).

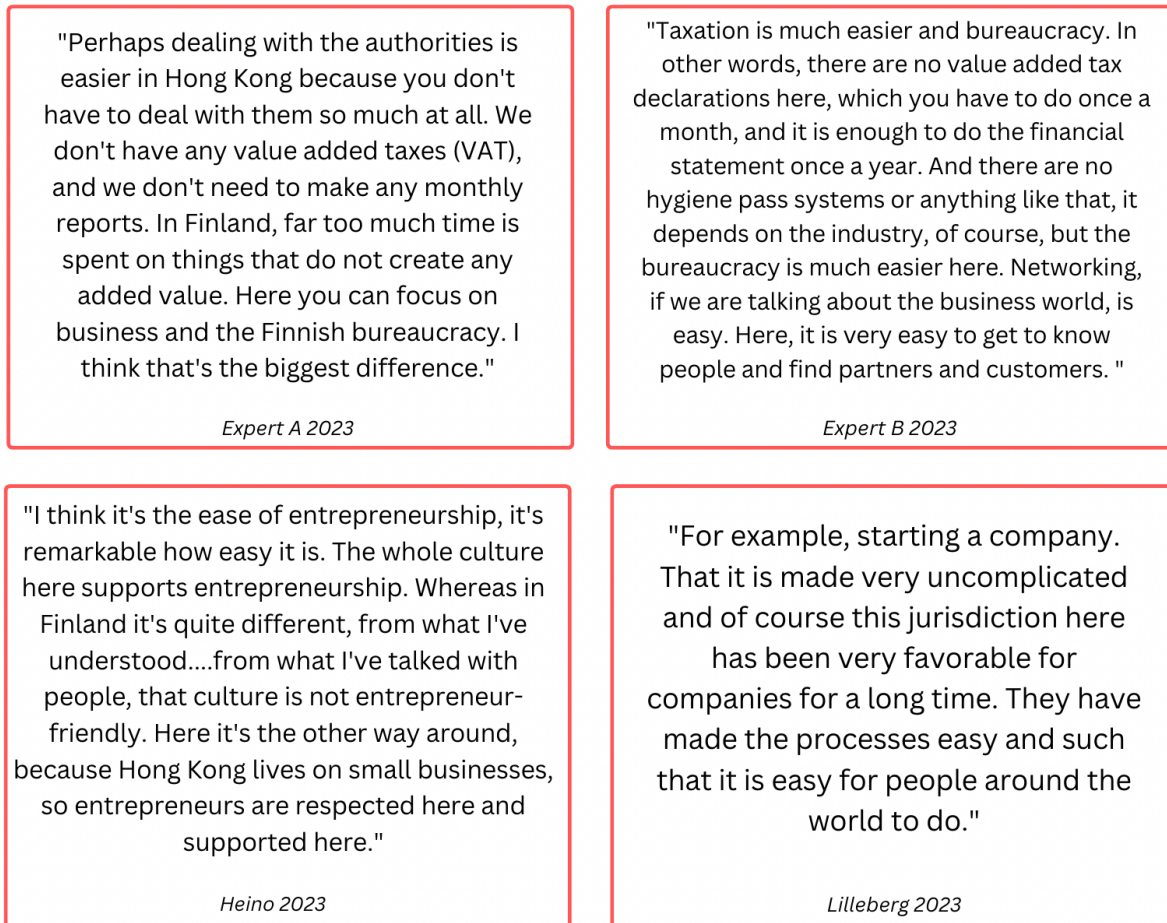


Figure 12. Differences between the Business Environments in Hong Kong and Finland according to the interviewees.

The final question in the category asked for insights on gaining visibility of one's own company and the achievement of a certain customer base. Two respondents thought that it was easy to reach customers and that the so-called crowdedness of people was a positive thing. They compared the area especially to Finland, where they thought that reaching people is more difficult due to the larger area. In their opinion, Hong Kong's compactness is exactly the city's advantage and a good way to reach a lot of people.

"It's much easier here to sort of grab the potential customer base of 7.5 million people than in any other country. I think it's a big advantage that it's such a big metropolis, yes, the the customers can be reached." (Expert A 2023.)

Finska (2023) said that this topic is particularly relevant to those interested in the Hong Kong market. In his opinion, it is not enough to get a distributor and one partner, but the end result can be reached by actively participating in customer acquisition and marketing. He also highlighted the understanding and taking Hong Kong's culture into account, for example in packaging and product naming. Heino (2023) said that visibility and marketing work in the same way as elsewhere. He said that it is hard work, and it requires forming of relationships and networks, which are the things

that keep the company afloat. He described Hong Kong as a logistically fantastic location and emphasized the significance of the location to the Asian market.

"I would see Hong Kong [for most companies that apply here] as a center for doing Asian business. Very few companies probably live only on the HK market." (Heino 2023.)

### **Future of Hong Kong**

The first two questions of the last category concerned the future of Hong Kong as well as the future of Finnish companies there. The respondents definitely agreed that Hong Kong's position is and will be strong and the future prospects are positive. Once again, the location of the city was complimented and its importance to China and to all people and companies coming from outside the city was emphasized. However, three respondents pointed out that since many westerners have left the city, it has perhaps also accelerated the Chineseization. Additionally, one interview revealed that tourists haven't made a return to the same extent as they did prior to the Covid-19 pandemic.

The future of Finnish companies in Hong Kong was also seen as positive and interesting.

"Yes, I still see Hong Kong as an interesting opportunity for Finnish companies. A large part of the big companies who are here, all have manufacturing operations on the Chinese side and then have some kind of sales unit in Hong Kong. I don't think there will be any changes to that. Regarding the Hong Kong market, I can see that it is possible to find a nice little niche here for consumer products as well. This is a reasonably large market, small enough but big enough. So, yes, I encourage companies to come here." (Finska 2023.)

Another expert also agreed that there is definitely a future and potential for Finnish companies in the city, as long as China is a predictable marketplace and plays by international rules. From this one could conclude that China is an important country for both old and new companies in the city, and its importance should be thought about and used in the best possible way.

In the third question, respondents were allowed to share their own opinion on whether or not they would recommend Hong Kong to companies or individuals thinking about expanding there. Every interviewee recommended Hong Kong with wide justifications. The answers of all interviewees are presented below (Figure 13).

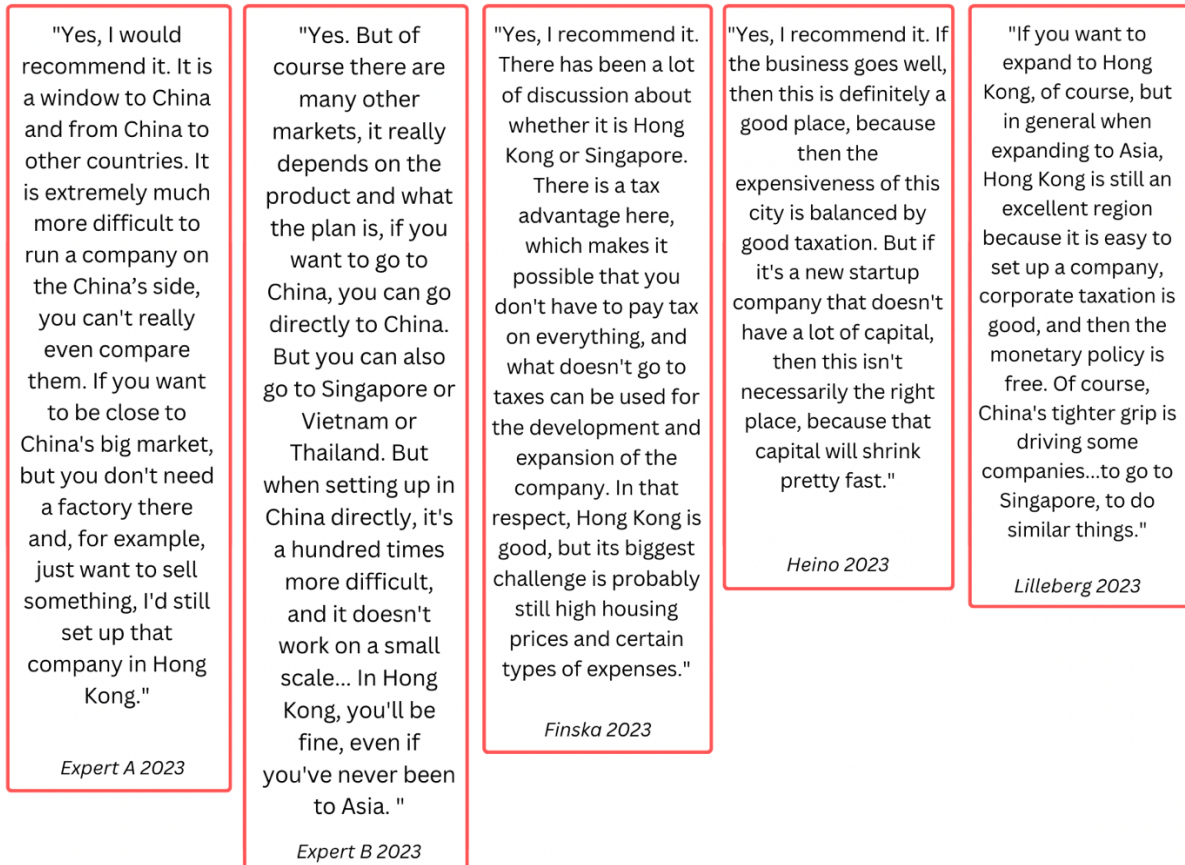


Figure 13. Experts' answers to the question "Would you recommend Hong Kong to companies/individuals thinking about expanding there?"

The last question of the entire survey collected advice or tips that the interviewees would have liked to hear when they were starting their own business in Hong Kong. In particular, Heino (2023) and Expert A (2023) both gave answers related to the expensiveness of the city and that one should be aware of how expensive the city really is. It's not worth expanding with a budget that's too small. Expert A (2023) also reminded that it is important to include locals who can somehow understand you and how Finns do business.

"It's worth trying to find a person who can get along with the Finns. Because if they are completely, so to speak, "completely Chinese", there will be a situation, that will continue for a very long time, where neither party understands the other. You have to find just the right person who can understand both cultures or even Western thinking." (Expert A 2023.)

Lilleberg (2023) mentioned that Cantonese is spoken in Hong Kong, which is completely different from Mandarin. Finska (2023) wanted to highlight that the city is full of Chambers of Commerce from different countries and other good networking places that share information and from which anyone interested can easily get a good view of Hong Kong. Finally, Expert B (2023) shared a tip to pay attention to trustworthiness and never be too gullible or naive when doing business with local Hongkongers and Chinese.

After all the interviews, it was easy for the author to identify many similarities between the content of the interviews. In the end there were more similarities than differences. Although some experts had spent time in Hong Kong for many years longer than others, their responses were remarkably consistent. Meaning, they shared a nearly identical perspective on the city and its business dynamics. Every interviewee felt that founding a company was easy when it came to paperwork, applications, and other permits. Each respondent also highlighted the significant connection between China and Hong Kong, underscoring favorable business opportunities on both fronts. They also referred to the extensive and vibrant history shared by the two regions like the author explained in Chapter 2.

The subjects covered in the theoretical part (Chapter 3) emerged and were also mentioned in multiple interviews. These comments were, for example, the efficiency of Hong Kong people, the general high costs and the city's positive entrepreneurial orientation. In the interview questions related to business culture, the comparisons between Finland and Hong Kong revealed similar results as seen in Subchapter 2.2.1, where Hofstede's six dimensions were used to observe different personality traits. Following the interviews, the author gained a generally positive and more comprehensive understanding of Hong Kong's business environment. However, it's crucial to consider that the responses might have shown more variation with a larger number of interviewees who lacked prior experience living in Hong Kong, working with locals, or understanding the overall dynamics of the city's corporate culture.

## 6 Discussion and conclusions

The aim of this thesis was to study Hong Kong's business culture and the most important things required to establish or expand a company in Hong Kong. The study also examined the Hong Kong market from a Finnish perspective using various sources and comparison tools such as SWOT analysis and Hofstede's six dimensions of national culture. Although the thesis was non-commissioned, the author believes that it can be useful for people interested in Hong Kong's business culture or companies that plan to operate in the market or acquire Hong Kong partners.

The main research question aimed to investigate the key factors that individuals or companies should take into account for a successful entry and operation in the Hong Kong market. The study also explored sub-questions related to potential challenges when operating in the Hong Kong market, the most appealing aspects of Hong Kong from a business perspective, and the overall feasibility of entering this market. To answer these research questions, the study relied on a combination of information from articles, existing literature, and data from interviews gathered from interviews.

As Hong Kong is considered one of the world's business centers, a lot of theoretical information related to its business culture was found, and for the purpose of the research, the information had to be limited so that only those very certain and necessary points of views could be selected for the theoretical part. In the author's opinion, the theoretical part succeeded in giving a comprehensive picture of Hong Kong's market and business culture. Using Hofstede's comparison in particular, the reader manages to understand the cultural differences between Hong Kong and Finland, which also apply in the business world.

The research used qualitative approach, which the author considered the most suitable method for this study. Personal interviews served as the primary research method, involving five highly experienced individuals who all had extensive knowledge of the Hong Kong market and business culture. The diverse experiences and backgrounds of the interviewees proved highly valuable in terms of the results. Because the information collected during the interviews was extensive, the author tried their best to present them as comprehensively and clearly as possible.

Because of the personal interviews, a good understanding of the factors needed to enter the Hong Kong market was obtained. The author is satisfied with the structure of the interviews and the questions asked. The questions generated a lot of discussion and brought up many points that were mentioned already in the theory phase in Chapters 2 and 3.



The general conclusion after the interviews is that Hong Kong is a favorable place for doing business due to its strategic location, business-friendly environment, low taxes, strong legal system, and easy access to China. The experts interviewed provided excellent examples of local Hong Kong business life and people, thus confirming the accuracy of the character traits previously examined in various chapters of the study. Many also wanted to remind those interested in Hong Kong that the city's business culture blends elements of both Western and Chinese influences and highlights efficiency, professionalism, and respect for hierarchy. Chapter 2.2 discussed quite a lot the significance of hierarchy in both everyday life and the business world, making it a crucial consideration for those interested in Hong Kong. Overall, the consensus among the experts was that Hong Kong offers a dynamic international business community, making it an attractive and bureaucratically easy destination for companies.

To enter the Hong Kong market successfully, several key considerations are essential. The initial step is to start with market research to gain a comprehensive understanding of the city's dynamics, customer preferences, and industry competition. Next, a business plan is needed, outlining the market entry strategy, financial projections, and marketing approach. According to the experts, a well-structured business plan is particularly important during the bank account opening process which they identified as the most challenging and time-consuming aspect of the overall process. Other important matters for successful market entry can be found in the 10-step guide in Figure 10 (Chapter 3.4.3)

The author found it surprising that there was no mention of the difficulty of opening a bank account in the previously researched sources. This issue was clearly the biggest and most discussed topic in every single interview. The author believes that the difficulty of opening a bank account might have been encountered in the research phase if they had studied each step (seen in Figure 10 on page 27) more in depth. Since the difficulty of opening a bank account only became apparent in the interviews, the author was therefore not able to explore the topic more deeply in the theory part. As the challenges associated with opening a bank account only surfaced during the interviews, the author was therefore unable to explore the topic more deeply in the theoretical section.

As for the administrative requirements one needs to register the company with the Hong Kong Companies Registry, choose an appropriate business structure, and provide the necessary documentation. Other important steps are obtaining a Business Registration Certificate from the Inland Revenue Department, applying for needed permits and licenses, following to labor regulations, and acquiring a registered company address. Both the sources explored in Chapter 3.4 as well as the experts stated that all these procedures are highly straightforward, quick to complete, and rather easy.



Different law firms, experts, and government agencies were suggested as resources for the establishment process, which was also noted to be nearly identical whether you're setting up a new business or expanding into Hong Kong from abroad. In addition to hiring consultant services, the experts also recommended connecting with potential local partners, agents, or distributors who can significantly facilitate the market entry process.

In conclusion, given the extent of the research topic, there is potential for a more in-depth exploration, particularly by broadening the scope of interviews to include and study specific companies interested in Hong Kong, as currently only one such company is featured in the research. Regardless of the company, successful entry into the Hong Kong market requires careful planning, diverse networks, and a solid understanding of local business practices. Nevertheless, all the interviewees were in complete agreement that entering the Hong Kong market is worthwhile and highly recommended it.

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## **Appendices**

### **Appendix 1. Interview questions (translated from Finnish to English)**

#### **Background questions**

1. What is your name, what company do you work for and what is your role?
2. Briefly tell us about your company.
3. How long has your company been in the Hong Kong market?
4. What made you initially establish/expand the company in the Hong Kong market?

#### **Hong Kong's business culture**

5. What do you think are the biggest pros/cons of doing business with Hongkongers?
6. In your own words, please explain what you think are the biggest cultural differences in business life between Hong Kong and Finland.
7. How has China's influence and the recent disturbances affected the business world?

#### **Expanding to Hong Kong market**

8. What kind of challenges did you face in the early stages when establishing the company to Hong Kong?
9. There are several options for registering foreign companies in Hong Kong. How is your company registered? (For example, subsidiary, branch office, representative office)
10. How long did the process approximately take from the decision to expand to the time the company was operational?
11. How did you experience the process of establishing the company? Applications, paperwork, permits, etc.
12. In your opinion, what things work better in the Hong Kong business world than in Finland?
13. There are a lot of people in Hong Kong. How do you feel about getting visibility and reaching a certain customer base in such a large business center?

#### **Future of Hong Kong**

14. How do you see the Hong Kong's market in the future?
15. How do you see the future of Finnish companies in the Hong Kong market?
16. Would you recommend Hong Kong to companies/individuals who are thinking about expanding their business there?

17. Are there any things that you would have liked to hear yourself back in the day (that you hadn't read or heard about during the research phase) when you were starting a company in Hong Kong, and can you share this with those interested in the HK market?