An Investigation on the Current Situation of Business Incubation of Foreigners in China

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Abstract: Business incubators are also called high-tech entrepreneurship service centers in China. They provide a series of service support by providing physical space and infrastructure for newly established high-tech small and medium-sized enterprises, thereby reducing entrepreneurial risks and entrepreneurial costs, and increasing entrepreneurship success rate, promote the transformation of scientific and technological achievements, and cultivate successful enterprises and entrepreneurs. This article selects a relatively cutting-edge research topic and interviews incubators and incubators and individuals of different natures in different countries. The research shows to a certain extent that local governments encourage foreigners to start businesses in China. This article compares the differences of incubators in different countries, the advantages and disadvantages of different types of incubators, and the policies of different regions. It is hoped that through investigation and analysis of foreigners’ business incubators in China and discovering problems, they can provide targeted solutions to foreigners’ business incubators in China. Provide a basis for the problems reached, promote the government to constructively formulate and implement relevant policies and implement various solutions, provide for the normal development of foreigners’ lives and work in China, maintain social stability, and improve my country’s international image and status. At the same time, we can find out the shortcomings of my country in the field of foreign entrepreneurial incubation through comparative analysis with the advanced experience of other countries, and supplement it to a certain extent.

Keywords: incubator; comparison; policy environment; significance and results

1. Introduction

On September 28, 2017, the Central Committee of the Communist Party of China and the State Council issued the "Outline of the National Innovation-Driven Development Strategy", in response to the "Implementation of Innovation-Driven Development Strategy" proposed by the 18th National Congress of the Communist Party of China, emphasizing that technological innovation is a strategic support for improving social productivity and overall national strength. It must be placed at the core of the overall development of the country" to make a specific explanation. This is a major national development strategy established by the central government in the new stage of development that is based on the overall situation, faces the world, focuses on the key, and drives the whole. Innovation-driven is that innovation becomes the first driving force for development. The combination of technological innovation and institutional innovation, management innovation, business model innovation, business innovation and cultural innovation promotes the transformation of the development mode to rely on continuous knowledge accumulation, technological progress and improvement of labor quality, to promote the evolution of the economy to a stage with a more advanced form, a finer division of labor, and a more reasonable structure.

Regarding how to promote the implementation of the innovation and development strategy, the outline mentions: "Construct and improve the carrier of innovation and entrepreneurship, develop the maker economy, and form a lively situation of mass entrepreneurship and innovation." The first is to develop the space for innovation and entrepreneurship. Relying on modern information technologies such as mobile Internet, big data, cloud computing, etc., develop new entrepreneurial service models, establish a batch of low-cost, convenient, and open crowd-creation spaces and virtual innovation communities, build various forms of incubation institutions, and build "incubation + venture capital" entrepreneurial model provides entrepreneurs with working space, network space, social space, and shared space, reducing the cost and threshold for the public to participate in innovation and entrepreneurship. The second is to incubate and cultivate innovative small and micro enterprises. Adapt
to the new characteristics of miniaturization, intelligence, and specialization of industrial organizations, promote distributed and networked innovation, encourage enterprises to carry out business model innovation, guide social capital to participate in the construction of social technology innovation public service platforms for small and micro enterprises, and promote the development of small and micro enterprises to “specialize, specialize and new” has led to the continuous emergence of large numbers of innovative and vigorous small and micro enterprises.

Combining the national policies to encourage and support entrepreneurship and the current trend of talent flow, we selected a more cutting-edge research topic of foreigners’ entrepreneurial incubators in China, and interviewed Chen F, director of the international investment promotion department of Nanjing Pukou High-tech Zone, and Suzhou HEDONIA Wine Matthieu of Etiquette Culture Company, Lucas of NIHUB Incubator of Hangzhou City, Mathias of Big Data Collection of Suzhou Golden River Company, Innovation and Technology Base of Shanghai Australian Trade and Investment Commission. Among them are foreigners who start businesses in China, government workers, and incubators founded by foreigners. It involves different aspects of the government and society, as well as the two perspectives of the incubator and the incubator. Through interviews and observations, I have a preliminary understanding of the status of foreigners’ entrepreneurship and incubation in China.

2. Introduction of the interviewed unit

2.1 International Investment Promotion Department of Pukou High-tech Zone, Nanjing

Nanjing Pukou District High-tech Zone is located in the Jiangbei New District Co-construction Zone. It was established in November 2017. The total planned area is about 30.32 square kilometers. It is led by the Nanjing Cross-Strait Science and Industry Park to integrate Pukou International Enterprise R&D Park and Jiangbei New District Service Outsourcing the Industrial Park, Pukou Economic Development Zone Research and Innovation Park, and Nanjing Qiuushan Cultural and Creative Industrial Park were formed.

2.2 HEDONIA Wine Etiquette Training Company

HEDINIA is the first training company founded by foreigners in China that integrates wine knowledge teaching and French etiquette teaching. The founder Matthieu is from France. After graduating with a master’s degree in China, he stayed in Suzhou for employment and entrepreneurship.

2.3 Suzhou Golden River Data Service Company

Suzhou is the main customer of Golden River Data Service Company is foreigners. The company helps client companies to conduct market research by designing WeChat applets and conducting surveys and other services. The founder Matthias is from France.

2.4 NIHUB incubator

NIHUB is an entrepreneurial innovation platform that provides one-stop services for foreign entrepreneurs in China, focusing on the fields of big data, artificial intelligence, high-end manufacturing, life and health, chip semiconductors and the Internet of Things.

2.5 Shanghai Australian Maker Base

The Australian Maker Base is a business organization responsible for trade and investment under the Australian government. The Australian Maker plans to support Australian start-ups to expand overseas. The base is a foothold, and it provides financial support, training services, and resource docking.

3. The reality of different incubators

3.1 Take Nanjing as an example

The first interview was in Nanjing. The interviewees were staff from the International Investment
Promotion Department of Pukou High-tech Zone, Nanjing. Pukou High-tech Zone is located within the Jiangbei New Area's co-construction area. It was established in November 2017. The total planned area is about 30.32 square kilometers. Pukou Economic Development Zone Research and Innovation Park and Nanjing Quyuanshan Cultural and Creative Industrial Park were formed. The International Investment Promotion Department strives to introduce overseas high-quality scientific and technological projects and global high-end innovative talents to build a global network of innovative resources in Nanjing.

The staff introduced to us some basic information about the current Nanjing incubator, as well as the government's attitudes, ideas and measures. In the past, incubators were mostly controlled by the government. Today, there are many incubators in society, and there are also quality problems. Some incubators have evolved into "rental houses", which shows that incubators for foreigners need not only quantity but also quality. The Pukou District Government strongly encourages entrepreneurs and innovations from all walks of life, but there is no special explanation for the support of foreigners in entrepreneurship. Currently, there is no entrepreneurial policy specifically for foreigners, and most incubators will not only target foreigners. He pointed out that the biggest problem for foreigners to start a business in China is the issue of work visas, and they can't leave China during the visa renewal period. But the government's tightening attitude towards such issues is now more difficult than before. In addition to privately-owned social business incubators, foreign governments and chambers of commerce and industry also have an incubation function, which is a kind of accompanying incubator. They provide office space and also have a cultural exchange function, such as the government of Baden-Württemberg, Germany and the Australian Trade Commission. The government's supervision of foreign-owned enterprises will not be much different from other enterprises, and the nature of the enterprise is determined by the nature of capital. Germany and France have introduced entrepreneurial visas, Shanghai has also introduced entrepreneurial visas, and the government has also introduced special visas for overseas high-level talents. The purpose of local governments to attract foreigners and encourage overseas projects is to acquire technology and capital. Generally speaking, the local government's support for migrants is mainly in the aspect of high-tech talents, and the threshold is relatively high, and the types of supported enterprises are mostly high-tech enterprises. For ordinary entrepreneurs, there will be no special policies and no super national treatment.

Through investigation and research and searching for relevant information, we found that incubators play an important role in incubating small and medium-sized technology companies, cultivating entrepreneurs, and promoting local economic development. But at the same time, the developmental ills of incubators are increasingly being revealed. Many domestic business incubators have problems that cannot be ignored: low barriers to entry; barriers to entry but lack of comprehensive and thorough training models; service personnel with relevant entrepreneurship training but lack of assessment mechanisms; incubation companies fend for themselves and do not have them after the registration of the company post service and so on. The consequence of this is that more and more incubators are reduced to coffee shops, cultural and creative spaces or office rental buildings, etc. Therefore, it is particularly important to carry out strict audit and supervision of incubators, mechanism reforms and innovations.

3.2 Take the NIHUB incubator founded by Swiss Lucas in Hangzhou and the Shanghai Australian Trade Commission as examples

The third stop of the team survey was the entrepreneurial incubator NIHUB in Binjiang District, Hangzhou. The founder was Lucas from Switzerland. Hangzhou Nichuang Network Technology Co., Ltd. (NIHUB) is an entrepreneurial innovation platform that provides one-stop services for foreign entrepreneurs in China, focusing on big data, artificial intelligence, high-end manufacturing, life and health, chip semiconductors and materials to the field of networking.

In addition, NIHUB focuses on introducing overseas high-quality entrepreneurial projects to the Binjiang Internet of Things town, providing entrepreneurial mentors, investment and financing services, entrepreneurship training, business registration, financial agency, law, content management, policy docking and other one-stop incubation services. At the same time, the project will have a positive effect on improving the international level of the Internet of Things town in Binjiang District. Hangzhou NIHUB is a relatively successful incubator, and it is also a typical incubator that mainly serves foreigners as we have learned. The founder Lucas believes that the current domestic incubators are not perfect and do not exercise the true functions of incubators. For entrepreneurs, office space and government subsidies are not the most important products and marketization is the key issue. At present, NIHUB’s main customers are companies that have a certain foundation overseas and want to
expand into the Chinese market. They generally have strong R&D capabilities and a good team background but are relatively small in the local market. Therefore, NIHUB will help them solve the problem of information asymmetry, investigate the Chinese market, help seek investment and integrate resources for enterprises. Relatively speaking, NIHUB is more inclined towards acceleration.

NIHUB's profit model is a long-term investment concept. It invests in start-ups and then helps them grow. After listing, our capital shares are acquired and withdrawn, and we get a return. Therefore, NIHUB is similar to venture capital institutions, and its profit model is similar to that of venture capital. But in addition to investment and financing, it also provides pre-operational services and training services. For example, if a company wants to contribute capital, it depends on the company's financial tax visa, and it needs to help it solve it. The fee for this basic service is one of the sources of profit, but it is not the core. The core is investment and financing, including two methods, one is NIHUB invests most of the time, and the other is to help customers connect with third-party investments, including their own investments, but also to find third-party investments.

The fourth stop of the team survey is the Maker Base of the Shanghai Australian Trade Commission. In December 2015, the Australian Federal Government announced the launch of the "National Innovation and Science Plan" to support Australian innovation and entrepreneurship to go global. The establishment of a maker base is an important part of it. The Australian Maker Landing Program is invested by the federal government of 11.2 million Australian dollars to set up maker bases in the world's five major innovation hub cities-San Francisco in the United States, Tel Aviv in Israel, Shanghai in China, Berlin in Germany and Singapore in four years. At present, the five major maker bases have all been established and started operation. The Australian Maker Base is a business organization responsible for trade and investment under the Australian government. The Australian Maker plans to support Australian start-ups to expand overseas. The base is a foothold, and it provides financial support, training services, and resource docking. In Australia's traditional industry, food tourism is relatively mature. The government hopes to do more publicity and expansion in technology, so it launched the Maker Landing Plan. This organization only supports Australian companies and has certain screening conditions that need to meet certain standards. Not all companies are suitable for developing in China. For example, some companies are too early and their products and services are not related to the Chinese market. Such companies are not suitable for entering the maker base. It is usually a company that hopes that the company has received investment such as angel investment or subsidies, but it does not reject those who have not received the investment.

4. Comparison of government and private incubators

After 2016, the failure of private incubators has been exposed one after another. The topic of whether incubators should be led by the government or the market has attracted attention. State-owned incubators have played an important role in promoting and serving innovation and entrepreneurship, and have a more timely response to national policies. At the same time, state-owned incubators also have the shortcomings of slow response to market demand, low efficiency, imperfect services, and difficulty in grasping the true needs of enterprises. Private incubators occupy the mainstream in today's incubators, and they have become a new force in the scientific and technological innovation service industry. Similarly, private incubators also have related problems such as short operating cycles, lack of foresight, lack of resources, and ambiguity in positioning.

With reference to article "A Comparative Analysis of Private and State-owned Incubator Service Models", the two types of incubators have several common problems: the hardware facilities are perfect but the soft services are not perfect, the basic services are perfect but the professional services are lacking, the physical environment is good but the financial support is lacking.

4.1 Basic services

In terms of basic services, whether it is a government incubator or a private incubator, the two are highly similar: they have good physical facilities to provide office space for incubating companies; both are committed to providing entrepreneurial atmosphere and communication platforms; both provide entrepreneurial counseling and process assistance. Take Hangzhou as an example. Hangzhou is positioned as an incubation platform. Lucas introduced that Hangzhou subsidizes three-year rent for start-up space companies. At the same time, the "Binjiang 5050 Plan" was launched to give high-tech enterprises up to 10 million operational R&D subsidies; the "Talent Apartment" was launched to provide low-cost accommodation for overseas talents with rents as low as 2,000 yuan per month; the
"115 Plan" was launched, to provide wage subsidies of up to 40%-60% to companies hiring foreign talents, and through interviews with Matthieu, the founder of the incubated HEDINIA wine etiquette training service company, and Matthias, the founder of Suzhou Golden River Data Services, we also learned that they all received assistance from the incubator such as office location subsidies and basic entrepreneurial process guidance.

4.2 Entrepreneurship counseling

In terms of entrepreneurial counseling, policy counseling is the focus of help for private and state-owned incubators, while technical counseling is a major flaw in today's incubators. In this regard, private incubators are stronger than government incubators. In the process of helping overseas companies to land, NIHUB's main focus is to help companies solve the problem of information asymmetry, to investigate the Chinese market, to help companies seek investment and integrate resources. Lucas believes that the current domestic incubators are not perfect, and they do not perform their true functions. For entrepreneurs, office space and government subsidies are not the most important, but product and marketization are the key issues. In this regard, we also compared the Shanghai Australian Maker Center. The Australian maker base provides free services for 90 days and has more than a dozen offices in various regions of China. During this period, the base not only provides office space for free, but also has colleagues who have a better understanding of the industry to provide foreigners with business training and guidance, such as how to market and what models to adopt. Successful companies can apply for reimbursement from the Australian government for business activities that have participated in them. Compared with NIHUB, the free service of the maker base is a bright spot, but it is slightly inferior in terms of professional market research and development and professional guidance such as obtaining investment and financing.

4.3 Preferential policy

In terms of preferential policies, state-owned incubators have inherent advantages. The assistance of private incubators to overseas entrepreneurs needs to be guided by local policies. It is difficult to obtain preferential policies beyond the policies, and they can only assist the operation of enterprises under certain prescribed procedures. However, in this regard, the effectiveness of government-funded incubator services is significantly higher than that of private incubators. Generally speaking, the biggest obstacle for foreigners in the process of starting a business in China comes from visa processing. According to Matthieu, it took about four months to apply for a new work visa; Time for half a year. The person in charge of the maker base of the Shanghai Australian Trade Commission said that if foreigners encounter visa problems, the maker base can provide an invitation letter and basically get a business visa.

The above survey results found that both purely government-run incubators and private incubators have defects. In this context, China's incubators need to seek new development models, break the single method, and find a balance between the government and enterprises is extremely important. Combining their respective advantages, strengthening cooperation, and building a cooperative incubator that plays the role of the government's guiding role and the role of market resource allocation should be a way out for the development of incubators. Giving play to the role of the government will help accelerate capital investment and provide strong financial support for private incubators; similarly, play the role of the market will help to more professionally judge the profitability and development potential of start-ups. This method can effectively alleviate the problems of "profitability" and "sociality" of incubators, especially for foreign entrepreneurs, policy and information resources are the focus of entrepreneurs' attention.

5. Comparison of the environment for foreigners to start a business (taking Nanjing and Hangzhou as examples)

5.1 Nanjing city policy support

So far, Nanjing City has no policy support specifically for foreigners to start businesses in Nanjing. According to Chen F, director of the International Investment Promotion Office of Pukou District, Nanjing, the biggest problem for foreigners to start a business in China is the issue of work visas. They cannot leave China during visa renewal. But the government's tightening attitude towards such issues is now more difficult than before. In terms of entrepreneurship, Nanjing City generally takes a positive
attitude and once issued the "Implementation Plan for Nanjing to Create the First Batch of National Entrepreneurial Cities." Now excerpted part:

1) Continue to implement the existing encouragement and support policies. Implement the "Notice of the Municipal Government on Further Encouraging Initial Independent Entrepreneurship to Drive Employment" (Zhengfa N.[2007] No. 196). Help the city’s unemployed, retired military personnel, returned overseas students, rural labor force, new labor force, personnel from "zero-employment families", persons with disabilities and other people with employment difficulties who have employment aspirations and entrepreneurial capabilities to start their own businesses on their own. Documents such as the “Implementation Opinions on Stabilizing the Employment Situation and Promoting Employment in the Current Economic Situation” (Zhengfa N.[2009] No. 22), “City Government’s Several Opinions on Promoting the Employment of College Graduates” (Zhengfa N.[2009] No. 46) and other documents corresponding regulations to reduce business access restrictions, reduce or exempt relevant taxes and fees, implement business start-up subsidies, job subsidies, social insurance subsidies, entrepreneurial training subsidies, and other encouragement and support policies.

2) Provide entrepreneurial guidance and open up a fast track

3) Relief and exempt relevant taxes and fees.

4) Innovative training model.

5) Improve entrepreneurial service institutions.

6) Build a carrier for entrepreneurship incubation. In accordance with the "Notice on Standardizing the Construction Standards of Pioneer Parks" (Ning J Ban Z.[2008] No. 2), adhere to the principle of combining government guidance and market operation, and fully integrate economic and technological development zones, industrial parks, high-tech parks, and university science and technology encourage various types of capital investment in parks and enterprises, schools, families and other resources, and establish a number of entrepreneurial parks (bases). Improve entrepreneurial incubators in various forms, such as entrepreneurial streets and towns, entrepreneurial communities, and entrepreneurial families, and support entrepreneurship to drive employment. By 2010, realize that all entrepreneurial bases have service functions such as government agency, financing guarantee, information consultation, entrepreneurial guidance, project promotion, technical support, personnel training, legal assistance, etc.

7) Construct a group of entrepreneurial consulting experts.

8) Establish guiding funds for venture capital.

9) Implement venue rental subsidies."

After interviewing two French entrepreneurs in China, we believe that when the basic procedures such as obtaining visas are completed, there is no special policy for foreigners to start a business in China, which is basically the same as the nationals. At present, the Nanjing Municipal Government encourages the construction of incubators, mostly in high-tech fields and university science parks, and the number of incubators targeted at foreigners is small. In more cases, the main service targets of business incubators are ordinary citizens, but at the same time they can provide assistance to foreigners in terms of procedures.

5.2 Hangzhou municipal government support

Due to geographical differences and different degrees of openness, Hangzhou is more active and more receptive to new things than Nanjing in terms of entrepreneurial support attitudes. We interviewed Lucas, the founder of nihub in Binjiang District, Hangzhou. Lucas is both an entrepreneur in China and the founder of an entrepreneurial incubator. According to him, Hangzhou is positioned as an incubator. It does not require large enterprises, but has the opportunity to establish and develop large and small enterprises in Hangzhou. Hangzhou City promotes the "5050 Plan" in Binjiang District, and companies can receive more than 10 million operating R&D subsidies. In terms of talents, Hangzhou has launched "talent apartments" with an average rent of around 2,000 yuan. For overseas talents, Hangzhou launched the "115 Plan." Enterprises hire foreign personnel, and the government provides 40%-60% of wage subsidies for foreign employees. On the other hand, Nanjing City needs companies to have sufficient registered capital, which is difficult for start-up companies to complete. Relatively speaking, Hangzhou is more market-oriented, and the government basically does not participate in the review of subsidies. If there are reasons for investment by investment companies, the government will provide subsidies. Compared with the government, professional investment companies are obviously
more aware of market demand and profitability.

5.2.1 5050 plan

The "5050 Plan" aims to introduce top international talents, entrepreneurial leaders and innovation leaders.

As far as the entrepreneurial support policy is concerned, it is divided into industrialization support, entrepreneurial development support in the early stage of industrialization, entrepreneurial startup support in the cultivation and incubation stage, and innovation project support.

Among them, entrepreneurial projects are full-time participation by top international talents or have entered the stage of industrialization. They have great market potential and can lead and drive the development of the industry. After review, they can be determined as selected projects of the "5050 Plan" and enjoy up to ten million yuan in the industry. Development funds; according to enterprise applications, the district industry development fund grants equity investment of up to ten million yuan; grants interest subsidies for bank project loans of up to ten million yuan within three years, and the district guarantee company provides priority guarantee services; according to the actual needs of the project, appropriate arrangements office, production, and business premises, and a full rent subsidy for three years. Priority will be given to overseas high-level talent innovation and entrepreneurship bases, and corresponding rent subsidies will be given.

The entrepreneurial project is in the early stage of industrialization, and the product has been sold. After review, it can be determined as a selected project of the "5050 Plan" and enjoy a maximum of five million yuan in entrepreneurial development funds; according to the application of the enterprise, the district industry development fund will give a maximum of five million yuan equity investment; grant interest subsidies for bank project loans of up to five million yuan within three years, and district guarantee companies give priority to providing guarantee services; grant rent subsidies of up to 300,000 yuan per year for office space within 500 square meters in three years in Jiangnan block, priority arrangements enter overseas high-level talent innovation and entrepreneurship bases, and provide corresponding rent subsidies.

Entrepreneurship projects are in the incubation stage and have good industrialization prospects. After review, they can be determined as selected projects of the "5050 Plan" and enjoy 500,000 yuan of startup capital; grant loans to banks of up to 2 million yuan within three years Interest subsidies, district guarantee companies give priority to guarantee services; give a rent subsidy of up to 100,000 yuan per year for office space within 200 square meters within three years in the Jiangnan block, and provide corresponding rent subsidies for overseas high-level talent innovation and entrepreneurship bases; entrepreneurship; After the start-up project has been cultivated and incubated, it can apply for the "Entrepreneurship Development Support Policy" or "Industrialization Support Policy".

5.2.2 115 plan

Hangzhou’s “115” plan to attract foreign intelligence is an important measure for the municipal party committee and the municipal government to encourage and support the introduction of foreign experts. The foreign experts introduced are mainly from the United States, the United Kingdom, Australia, Japan and other countries, and more than 80% of them have doctoral degrees. They are mainly experts and scholars from foreign universities and scientific research institutions, and technical executives from well-known companies in the industry, involving information software and advanced equipment. Manufacturing, Internet of Things, biomedicine, energy saving and environmental protection, new energy and other industrial fields.

6. Research conclusions and prospects

Incubators take it as their responsibility to provide services for start-ups. The services they provide include not only basic services such as venues in a general sense, one-stop business establishment procedures, etc., but also entrepreneurship counseling, business development possibility investigation, information resource integration provision, and financing fund-raising services and strategic guidance in the follow-up development process.

Research on foreign business incubators in China to provide a basis for targeted solutions to the problems encountered by foreigners in business in China, and to promote the government’s constructive formulation and implementation of relevant policies and implementation of various solutions to protect foreigners’ business in China life and work are carried out normally. At the same
time, we can find out the shortcomings of my country in the field of foreign entrepreneurial incubation through comparative analysis with the advanced experience of other countries, and supplement it to a certain extent.

The theory of the world system believes that the flow of commodities, capital, and information internationally is the basic reason for promoting the flow of international imports. We hope to create a general environment where foreign talents and technologies flow in, which will then react to the flow of capital and information. Our research shows to a certain extent that local governments encourage foreigners to start businesses in China. We hope that our research can investigate and analyze the situation of foreigners in China’s business incubators and find problems from them, provide a basis for targeted solutions to foreigners’ business incubators in China, and promote the constructive formulation and implementation of relevant policies by the government, and implement various solutions to protect the normal development of life and work of foreigners in China. At the same time, we can find out the shortcomings of my country in the field of foreign entrepreneurial incubation through comparative analysis with the advanced experience of other countries, and supplement it to a certain extent.

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