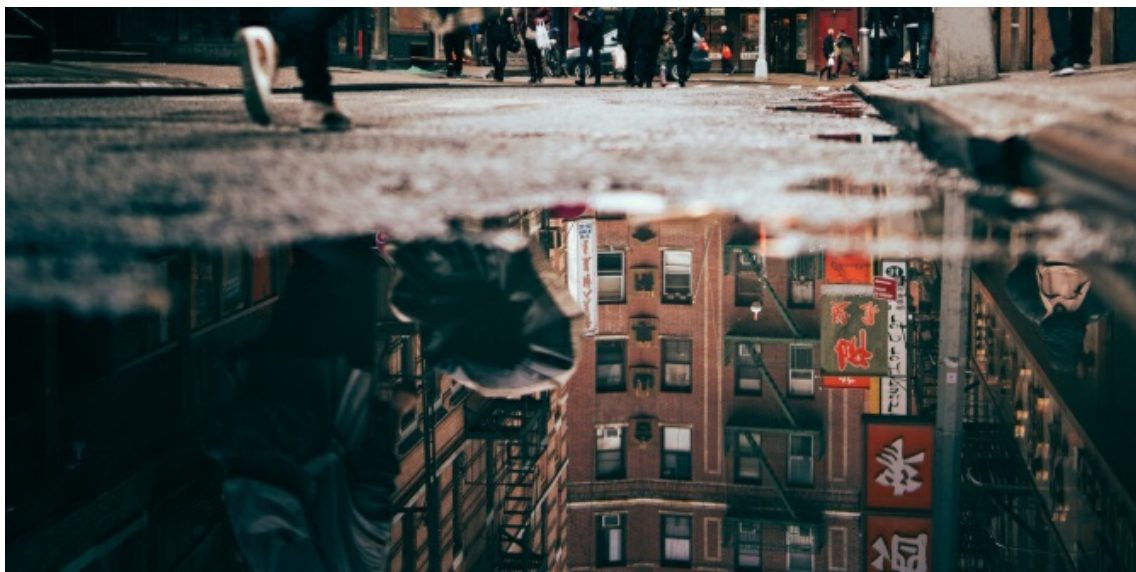


The paradox of communist entrepreneurs in China



The Chinese economy has grown phenomenally over the past 40 years since it was opened to the outside world. In recent decades, the private sector in particular has been the engine of this growth, contributing to more than 60 per cent of China's GDP (US\$12,237.7 billion), extensive fixed-asset and outbound investment, 80 per cent of jobs, and 70 per cent of technological innovation and new products according to a recent report by the [China Daily](#). About 27 million entrepreneurs and their ventures make up the private sector of the Chinese economy, and interestingly, 20–25 per cent of them are communists. Most of these communist entrepreneurs joined the Communist Party of China before establishing their businesses.

On the surface, the idea of a communist entrepreneur seems contradictory. According to traditional Marxist–Leninist communism, entrepreneurs are capitalists who own the means of production and thus are exploitative, mercenary, greedy, and ruthless. How could communists become entrepreneurs, and how can entrepreneurs maintain their communist identity?

The communist government in China penetrates all aspects of life. Before the 1978 reform and opening, many people — especially those who joined the Communist Party of China — were indoctrinated with Marxist–Leninist beliefs that advocated an anti-western bias and the overthrow of the capitalist world. Yet after 1978, the government progressively initiated shifts in economic, political, and social realms that legitimated the market economy by revising the party constitution while still advocating communist rhetoric to rule the country. Thus communist entrepreneurs are an outgrowth of two dramatic periods in the country's recent history, combining a traditional communist ideology and a spirit of capitalism that guided them to start their businesses.

In our [recently published article](#), we analyse the implications of these entrepreneurs' communist ideological imprint. We find that this imprint persistently and negatively affects Chinese entrepreneurs' perception of (and thus tendency to cooperate with) foreign business partners, despite the government's post-1978 reforms. The communist ideological imprint, with its heavy anti-west emphasis, has been an obstacle to many Chinese private ventures' internationalisation process, including both accepting foreign investment and exploring overseas markets. Some communist entrepreneurs express their communist identity through their refusal to participate in global capital and product markets.

However, we also find that these entrepreneurs are responsive to the government's increasing adoption of capitalist principles. Since 1978, the government has gradually acquiesced to foreign cooperation as a necessity to develop its economy, but it has not broadly publicised this change or revised its party constitution to incorporate cooperation with foreign markets. Instead, the government has tried to promote such cooperation, attracting foreign capital and exploring overseas markets, through its interactions with entrepreneurs. Given communist entrepreneurs' strong identification with their government, they have tended to heed this call based on such interactions, becoming less concerned about the ideological conflict and more likely to cooperate with foreign partners.

In this way, we find that the communist ideological imprint of Chinese entrepreneurs "decays." When communist entrepreneurs directly interact with the government — whether in positive ways such as by participating in political councils or getting involved in government-created industry networks, or in negative ways by suffering governmental expropriation of their profits — the negative influence of the communist ideological imprint on their ventures' internationalisation decreases. Thus our results suggest that the communist influence on entrepreneurs is enduring but changeable.

The Classical Chinese strategist Sun Tzu suggested in *The Art of War* that to "know yourself and your counterparty" is a precondition for victory. If that's true, then it's vital for those interested in doing business in China and/or with Chinese partners to understand communist entrepreneurs better. Sometimes, even if a certain business opportunity in China would be profitable, a Chinese business partner may not act on it because of the ideological barrier. But our research shows that barrier may decay with time, so the rejection of one opportunity doesn't mean a similar opportunity will be rejected in the future.

Our article highlights the importance of the government in China from a unique angle: some ostensibly independent-spirited individuals, such as entrepreneurs, may be especially susceptible to the government's influence. Doing business in China requires good relations with and use of the government and its communications to advance business plans. Finally, a corollary of our study is Chinese communist entrepreneurs' growing skepticism of the communist government. Will they, the products of communism, eventually undermine the system?



Notes:

- This blog post is based on the authors' paper [Waking from Mao's Dream: Communist Ideological Imprinting and the Internationalization of Entrepreneurial Ventures in China](#), *Administrative Science Quarterly*, September 2018.
- The post gives the views of its author(s), not the position of LSE Business Review or the London School of Economics.
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