

My first visit to China was back in 1981, when everyone was still wearing a Mao cap and the omnipresent blue or gray suit. The Ministry of Technology Transfer had invited me to speak on the latest American management concepts. At the end of the lecture, a frail Chinese man approached me at the podium. In very broken English, he managed to say that I was the first American he had seen since World War II. He thanked me for coming to China to share my “management wisdom.” I asked him what his job was.

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are currently four to five million start-ups a year in China, with no end in sight. (He’s also my business partner in China.) “Entrepreneurship is the hottest subject in all China today,” he explains. As if to underscore the point, he reminds me that there are currently four to five million start-ups a year in China, with no end in sight.

I had a wonderful three-hour speaking session with some two hundred entrepreneurship students at Nankai. I spoke using an interpreter, but about 80 percent of the students spoke excellent English, and their questions were

Two Decades

BY LARRY FARRELL



That's how long it took China to accomplish what the West did in two centuries.

“Manager of the rolling steel mill outside of Beijing.” Then I asked this small, aging Communist how many employees he managed. “Sixty-five thousand.” I gulped and asked if he had any questions about management. He nodded. On a slip of paper, he had written the word *entrepreneur*. “I want this. Can you teach me to be this?”

I’ve never forgotten that question. It was one I couldn’t answer at the time. That simple-sounding question, from such a simple man, from such a “backward” place, completely baffled me. As a management consultant, I had never even thought about entrepreneurship and certainly had never studied it at Har-

vard Business School. Two years later, I started my own business to research and teach entrepreneurship. So in a sense, I’ve spent the last twenty-five years trying to get the answer. My most recent trip to China was just two months ago. In a land of 1.3 billion smart and enterprising people, what a difference one generation has made! The country is literally in the throes of an entrepreneurial revolution. Aiding and abetting this revolution is an academic phenomenon that I haven’t seen in any country in the world. There are hundreds of activist, entrepreneurial scholars at leading universities across China, who seem to be giving the revolution a very special momentum, especially with young people. Of course, it helps that university professors are more highly respected in China than in any Western country. But even so, it’s quite unique to see academics in any country actually leading the charge toward creating a more entrepreneurial national economy.

Zheng Li is typical of this new entrepreneurial force. He teaches at the prestigious Business School of Nankai University in Tianjin and is the director of entrepreneurial research at Jilin Uni-

as inspired and incisive as those of any B-school group that I’ve ever addressed anywhere. For example, one student asked me: “My parents say it is safer to work for a big company, so how do I convince them that being an entrepreneur is the right thing for me?” I explained to him that the number-one reason that Americans become entrepreneurs today is because of repeated downsizing and outsourcing of good jobs in big corporations. And just that morning, Zhang Yuli, the B-school’s deputy dean and director of the school’s highly regarded Research Center of Entrepreneurial Management, told me that 60 percent of all new Chinese entrepre-

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entrepreneur

neers were fired from their last company. So the biggest risk of all in both the United States and China seems to be working for a large corporation.

I also asked Zhang why entrepreneurship is so popular in China today. He instantly offered up a two-part answer: “Both government policy and the innate character of the Chinese people are responsible for China’s entrepreneurial revolution. The Communist government created what they called the ‘Open Door Policy’ in 1978. Before that, there were no private entrepreneurs in China. Not one. The rationale for the new economic direction was clear—to create wealth and prosperity for the Chinese people and the country. Up to then, we were floundering economically, like the old Soviet Union and even like North Korea today but, of course, on a bigger scale. The new policy of the government actually fit the character of Chinese people very well. The Chinese don’t like to be managed; they much prefer to be their own boss.”

Zhang summarizes the short, modern history of Chinese entrepreneurship by explaining that today there are about 42 million small and medium-sized enterprises in China, founded over the past thirty years. All this entrepreneurial activity has evolved in three stages:

In the 1980s, the rising entrepreneurs were farmers or other types of poor people with little or no resources. They were simply hoping to improve their often-miserable situation via the government’s open-door policy. They were “survival entrepreneurs.”

The entrepreneurs of the 1990s usually came from the large state-owned industries. They were experienced and had some good product and market ideas, but were fed up having to manage by rote in a state-owned company. They left their boring jobs to pursue more interesting and meaningful work, focusing primarily on the large, poorly served Chinese domestic market.

And finally, the majority of China’s twenty-first-century entrepreneurs are former professors or senior managers

in technology or knowledge industries. They are capable and highly motivated to compete head-to-head with the Japanese, Europeans, and Americans. They are “opportunity entrepreneurs” who want to play an important role in the global economy.

The incredible thing to any Western observer about these three entrepreneurial phases is that China has experienced in twenty to thirty years what Europe and the United States experienced over the past two or three hundred years. That is a dizzying rate of change by historical standards.

A specific aspect of the Chinese entrepreneurial revolution that caught my attention was the number and quality of start-up incubators—entrepreneur-friendly brick-and-mortar sites where new enterprisers have the opportunity to get started quickly and cheaply. I would say that this concept, used for several years in the West, has quickly reached the level of high art in China. As Fengling Ma, director of the Tianjin Business Incubation Center, tells me: “When the government started pushing entrepreneur development, it also encouraged the setting up of incubators around the country.”

The idea has obviously caught on, with more than one thousand incubators already up and running. And in a purely Chinese twist, many of them are privately owned entrepreneurial businesses themselves.

I met several of these incubator entrepreneurs, including Li Guihuan, a delightful lady who founded one of the most successful incubators, the Tianjin Women’s Business Incubator. Li told me that “because Chinese business is still a male-dominated activity, I saw a great need for an incubator where women are given equal status and equal opportunity.” With more than four thousand jobs created by her graduates—a fantastic result by any standard—she is obviously doing something right.

Meanwhile, Fengling also notes that all manner of Chinese entrepreneurs, with varied backgrounds, are now using

incubators. “Of course, we still have the typical types who just want to improve their lives,” he says, “but we are now also seeing the second generation of family entrepreneurs—the kids of the new millionaires from the first wave, who are using family money to start their own businesses. And we are even seeing large numbers of early retirees from the Chinese military. They are often highly trained in technical fields, and because the government wants them to put their skills to work, they can receive start-up grants of up to 200,000 yuan [about \$28,000], which is a significant amount of money in China.

“Entrepreneurship is not a ‘bubble’ in the Chinese economy,” Fengling continues. “It’s here to stay.” It surely seems that way. I can’t imagine how any future government in the People’s Republic of China could possibly reverse this economic revolution, which has put the country squarely on track to be the biggest and most powerful economy of the twenty-first century.

The last word on the importance of entrepreneurship in China comes from Song Donglin, who is president of the Changchun Taxation College and the Jilin province’s chief economist for economic development. Song, who graduated from Rutgers University, is one of the country’s most important economists, a recognized authority on business and economic development. He points out: “To the national and local governments, entrepreneurship has become very important. The reason for this is simple—employment. We need to create more jobs, and we know that is the job of the entrepreneur. For example, one million university graduates cannot find suitable jobs each year. This is an economic issue, of course, but even more importantly, it is a social and political issue that must be addressed. This is why the government will never abandon its commitment to free enterprise and will continue to support the country’s entrepreneurs.”

As I said, what a difference one generation can make. ☪