

OF KUNG FU AND CHOCOLATES: A STRATEGIC NARRATIVE OF KATHY'S BUSINESS SOJOURN IN CHINA

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-Abstract-

The remarkable growth of China in the last decade catapults it rapidly into one of the most prominent players in international business. Thus, it is not surprising that many studies have been undertaken to explore various business phenomena relating to China such as how Chinese companies explore global business opportunities and how companies from all over enter the Chinese market. A review of the literature shows that many of these studies focus on corporations and SMEs (Yang and Lee, 2002, Wang and Kess, 2006, & Chen, Griffith and Hu, 2006). There is a lack of studies on individual entrepreneurs' effort to enter the Chinese market. To fill in this gap, this case study narrates the experience of a foreign venture undertaken by a European entrepreneur who started a bistro to enter the Chinese tourism supply chain. To provide a business perspective to the narration, a strategic analysis of the venture is carried out using the focus group technique. The experience of the entrepreneur is captured in the form of a narrative based on an in-depth interview and observation of the business site. A short case of the venture is then written and distributed to the focus group to assess based on the strategic audit technique. The results of their assessment is then categorized according to the emerging themes and assessed using SWOT analysis and recommendations and strategy map are proposed. This study provides a 'thick description' of the challenges faced by and opportunities available for the lone foreigner who ventured into the Chinese market.

Key words: Transnational Entrepreneur, Entry to China , Narratives

JEL Classification: M19

1. INTRODUCTION

This paper presents a qualitative study on a Belgian lady who set up a business in Yangshuo, Guilin, China. It aims to share the findings of in-depth interviews with the entrepreneur to find out the what, why, where, how and when of her business venture in an a tourist area which is mainly confined to the local Chinese populace. What drives a lady entrepreneur to venture into the local Chinese market? What issues does she face in this venture? How far does she or can she go in this business? The answers to these questions are written in the form of a narrative embedded with comments from strategic points of views. The narration ends with the assessment and recommendations made by a focus group which deliberated on the issues as presented in the narrative, a section which could be considered as a narrative of assessment of another narrative.

2. LITERATURE

A study on foreign entrepreneurship venture can and has been viewed from several perspectives. It can be viewed from the perspective of how to set up a successful joint venture in China, where for example Yang and Lee (2002) had suggested the application of analytic hierarchy process (AHP) to identify key success factors for successful joint venture in China. It can be viewed from the perspective of international entrepreneurship which is defined as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create wealth and organizations’ (McDougall and Oviatt, 2000). This study differs in that it focuses only on one business and one business owner. It aims to contribute to qualitative literature by narrating the sojourn of a foreign entrepreneur who had just set up shop in Yangshuo, China. Narratives, It is an attempt to describe the experiences of a transnational entrepreneur who braved the seas to go to a foreign land where she eventually found her new home.

According to Royse (2011) and Lindlof and Taylor (2002), qualitative studies tend to explore questions about a group or subgroup’s life; tend to ask broad, open-ended questions and produce lots of narratives which tend not to lend themselves to precise measurement; tend to rely heavily on in-depth personal interviews and participant observation; qualitative researchers do not focus on representativeness of the sample as it is not the main issue; and generally, qualitative research reports are written more like an in-depth journalistic accounts with many details describing the participants or

their world. The narrative is the chosen genre for the write-up of the findings for this study.

3. FINDINGS

The findings is written as a narrative to cover four major focus of this qualitative study. The information and insights which were obtained through in-depth interviews, site observation, secondary data as well as discussion carried out in a focus group are narrated in four subsections namely (1) The Coffee Shop; (2) The Lady Behind the Venture; (3) The Challenges; and (4) The Focus Group Assessment's and Recommendations.

3.1 The Coffee Shop

“This is a tiny shop right across from the river and a bit away from the manic bustle of West Street. We came here a couple of times in the morning for the great coffee and again for good priced cocktails, not a huge selection but a good gin and tonic at 15RMB...” reviewed a tourist about the Coffee Shop.

Sweet Heaven or Tiantang in Chinese, is a coffee shop at a cosy corner of West Street in Yangshuo, China. It is situated a few metres from the beautiful Li River. Its product range is quite representative of a simple café, small in range but varied in terms of flavor. It serves drinks, breakfast items, snacks and dessert. The hot drinks include Espresso, Caffe Americano, Caffe Latte, Caffe Mocha, Cappucino, Flavoured Latte (vanilla, hazelnut or caramel), Snow Top Coffee, Illy Coffee, Irish Coffee, Bailey's Coffee, Sweet Heaven Coffee, tea (green or black), Milk tea, fruit tea, lemon tea, hot milk and hot chocolate. For those who like cold drinks, they can choose milkshakes (vanilla, strawberry, chocolate), Coffee Milkshake, Oreo Milkshake, Banana Milkshake, Snickers Milkshake, Coke Float, Orange Juice, Apple Juice, Carrot Juice, Watermelon Juice (seasonal) and Mango Juice (also seasonal). For beer drinkers, they can choose from a selection of six types. Sweet Heaven also serves eight concoctions of cocktails and six brands of wine.

The food category is divided into two which are labeled 'Breakfast Items' and 'Snacks and Desserts'. As with the drinks, the food items are also quite a spread given the size of the café. The breakfast fare include simple items such as boiled eggs, toast toast with jam, peanut butter toast, cornflakes with milk, toast with nutella, baked beans and toast, French toast, oatmeal, Muesli and Yogurt, fruit and yogurt, and its most expensive item, Protein Shake with is priced at 30 RMB. The

other items are priced between 8 to 15 RMB. The snacks and desserts include the cheapest which is peanuts priced at 8 RMB, ice cream with Oreo which is priced at 12 RMB. Three items are priced at 15 RMB which are Grilled Cheese Sandwich, Affogato and Waffle. Six items priced at 20 RMB include Croque Monsieur, Brownie with Ice cream, Banana Split, Bailey's ice-cream, the fruit platter and Pie or Cake of the Day. The highest priced item is Croque Madame which sells for 25 RMB.

According to the owner, seventy percent of sales is derived from drinks which comprised of hot and cold drinks. Thirty percent of its business comes from the breakfast items and snacks and desserts. The main attraction of the coffee shop are the varieties of Belgian chocolates. The coffee shop owner is also the distributor for Guylian Belgian Chocolate for Yangshuo and Guilin.

Sweet Heaven opens every day from 9 in the morning until 11 at night. Casual observations show that the foldable tables and chairs cater to the demands of both foreign and local customers, some kind of a flexible and expandable concept of seating. The location is at an intersection where local transport vehicles such as motorcycles and small vans wait for customers. The shop looks very much like the other snack shops lining the streets of touristy Yangshuo. The only thing that sets it apart from other shops is the owner, Kathy De Leye, who is the subject of the next section.

3.2 The Lady Behind the Venture

Kathy De Leye is the lady behind the Sweet Heaven Coffee Shop venture. She can be described in many ways – as a transnational entrepreneur, a woman entrepreneur or a white lady with a yellow heart – a phrase coined after a few meetings with Kathy. Kathy is very much Chinese at heart even though she is Caucasian from Belgium. From the interviews, some information were gathered on what brought this young lady from the faraway land of Belgium to a place often referred to as 'heaven on earth' in many a tourist brochure.

Her arrival in China is motivated by her love for the martial arts. Kathy started learning judo and karate as a child and later joined the kungfu club in Belgium. She loved kungfu most. To her kungfu is about fighting and defending oneself, about understanding your body and how to make it stronger and healthier. It is about Chinese culture, a culture no longer alien to her. Kungfu requires discipline and

practice. Her fascination with kungfu prompted her to join a tour to various parts of China which included kungfu and taichi lessons , a tour which covered Hong Kong , Guilin, Yangshuo, Xi'an, Luoyang, Shaolin and Beijing. The trip left her dreaming about future trips to China. The following year the aching need of her heart to be in China brought her to Yangshuo again, this time with her Kungfu Club friends from Belgium. They stayed for a month and each day they practised for four hours. After practice, she would hang out with foreigners in a bar and there she got the impression that it was relatively easy for a foreigner to stay in Yangshuo. The seeds of thoughts for venturing into business in the region was sown here. This is the beginning of blending Kung Fu and Chocolates – love for Kung Fu and setting up a chocolate business.

After returning home from the trip, Kathy quit her job at the bank and decided to take a year of sabbatical in Yangshuo. That was in December 2008, Instead it turned out to be a major move for her. She stayed on as an English teacher and in 2010 she fell in love with a Taichi master who came to learn English from her and reciprocated by teaching her taichi. To enable them to be open about their relationship Kathy changed jobs to teach in another school. Then both planned their respective entrepreneurial ventures – he opened a taichi school while Kathy started her coffee shop, the Sweet Heaven Coffee Shop in 2011. The following section covers the challenges faced by Sweet Heaven since in inception right up the time of the interviews which were conducted in early April 2013.

3.3 The Challenges Faced by Sweet Heaven

From the in-depth interviews, it is deduced that Sweet Heaven faces several challenges. Firstly, according to Kathy, most foreigners who set up shop at the area do so in the form of partnership with a local partner. Many of the transnational entrepreneurs there are either married or engaged to their business partners. Aside from the food and beverage industry, most foreigners venture into providing lodgings such as setting up guest houses, motels and hotels. While Kathy had just began in the last two years, a few of the expatriates she knew have exited the market to move to other places. In setting up motels in the town, some foreigners also take the role of an angel investor whereby as silent partner, they take about 5% of what is on average a 30% profit. Thus the first challenge is to determine the kind of business network to set up and in setting up partnerships, to choose a business partner. In this case, Kathy had chosen someone she is emotionally attached to.

The client base for Sweet Heaven is made up of 90% Chinese and 10% foreigners. Most of the foreign customers are young while the Chinese customers come from all age groups. Thus, the second challenge facing Kathy is how to understand the segments she serves. As at the interview, Kathy has gathered significant tacit knowledge about her Chinese customers. Her perceptual observations of the cultural differences between Westerners and Chinese include (1) The Westerners are generally more polite while the Chinese are more direct and this could be construed as being rude; (2) The Westerners do not expect to be served i.e. they can take the items from the refrigerator themselves whereas the Chinese want to be served when they come to the coffee shop; (3) Chinese shower at night while Westerners shower in the morning; (4) Chinese men are generally more appreciative towards women, and (5) Chinese have less of the 'office culture'. She also formed the impression that some Chinese look up to Westerners, and want to be like the Westerners. Her confession that she never felt any culture shock in China imply that in general, Kathy has blended in well with the local culture of her chosen market. For example, to cater to local tastes, she often seeks advice from her customers and interestingly she finds Chinese taste to be quite 'strange'. She does changes to her menu every four to five months. Her main concern is how to minimize wastage for perishable items.

The third challenge she faced relates to sales and profit . During the high season, sales could reach up to 32,000 Yuan and the low seasons register about half of that. As at the time of the interview, Sweet Heaven has yet to break even. One major challenge is the fact that Yangshuo is developing quite rapidly and therefore there is a general increase in real estate price. Kathy felt that rental is a major cost for her business. Thus, the general increase in price of real estate across the globe is a major challenge for her business.

The fourth challenge is Kathy's personal orientation towards entrepreneurial ventures. Being from up in a family of employees or workers – her parents worked in factories, Kathy studied very hard and managed to secure employment in a bank. She thrives hard because she has a high drive to succeed.

Fortunately for Kathy, she has almost no problems with authorities where in running a coffee shop there are only three licences which she has to apply for i.e. health, business and alcohol. Another challenge is facing major competition from other chocolate producers. Kathy identified Dove as her main competitors. Dove chocolate is the leading chocolate brand in China with a market share of 50%. It positions itself as an indulgence for women. The issue for Kathy is how can the David size of her

business be pitched against the Goliath of other chocolate retailers. She has begun thinking about pursuing distributorship of Guylian chocolates to bigger cities such as Shanghai.

The final challenge for Kathy is how to craft strategies for business growth. At the time of the interviews, she was in the process of drafting a business manual. She wished to gather ideas on how to further develop her business. Aside from sharing the findings of the interview, this study seeks to also present her situation to a focus group comprising six individuals trained in strategic management for them to propose some recommendations for future directions for her business. Their assessment of the business and recommendations are discussed in the next section.

3. 4 The Focus Group's Assessment and Recommendations

The focus group used SWOT Analysis to assess the business situation of Sweet Heaven which is portrayed in the following table.

Strengths	Weaknesses
Strategic location – scenic yet a busy part of the town area. Strong network with other expatriates residing in Yangshuo Owner with high immersion in the host culture. Owner's adoption of local culture especially the martial arts is a story which could be used for niche positioning.	High dependency on founder and owner. Partnership based on emotional attachment. Possibility of change in owner/s attitude towards the target culture. Lack of experience in business.
Opportunities	Threats
Booming tourism industry in Yangshuo. Increasing demand for western products among Chinese. Opportunities to set up a franchising system. High demand for quality and well-known brand of Belgian chocolate among increasing affluent Chinese.	Seasonal business with fluctuating demand. Higher rental cost. Low barriers to entry in the food and beverage sector. Competition from local and foreign chocolate producers.

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Table 1 : SWOT Analysis of Sweet Heaven

Based on the analysis of the narratives on the business venture, the focus group also proposed the following advice and strategy map (Kaplan and Norton, 2004) for Sweet Heaven. As Sweet Heaven is a small enterprise at the moment, the focus groups highlighted the following recommendations which the founder might want to consider:

1. Plan strategies by taking into account the five entrepreneurial strategies of growth, innovations, network, financing and governance, and harvest and exite. To plan the strategies the owner must determine her vision and mission for doing business in China.
2. For growth, the owner must fully utilize currently underutilized resources. As a young continue to identify and exploit opportunities for business expansion such as setting up a franchise business or distributorship for other types of chocolates.
3. The owner must also pursue innovation for innovation is at the heart of an entrepreneurial mindset. One suggestion given by the focus group is to do a hybrid business whereby martial arts could be used a as theme for the business. In fact the owner could set up a Gallery Coffee Shop where she displays items on the various martial arts forms as well as display her own experience and interest in martial arts. A story is a very strong element in branding and if Kathy uses her deep interest in martial arts and how she embraced the Chinese culture through it, the focus group think that a successful franchise story is in the making. The story could be used for niche branding.
4. Sweet Heaven was set up based on a personal network. In planning growth strategies , the owner must also look into her network strategy. It would be strategic to translate personal network e.g. with her friends and colleagues into organizational network especially if she wishes to pursue a franchise business model and or distributorship. Both personal and organization networks are critical for successful entrepreneurial performance. Besides that Kathy might also want to set up a virtual network for the business.

The strategy map is as per outlined below:

SWEET HEAVEN'S MISSION	
To provide a cosy place for drinks and snacks to locals and tourists in Yangshuo.	To supply high quality chocolates to the Guilin market and other bigger cities.



FINANCIAL PERSPECTIVE	
Profit growth of 10% per annum	Improve sales through product variation.



CUSTOMER PERSPECTIVE : “To provide customers with a superior service and products at the lowest possible cost”		
Improve product range through innovation.	Enhance customer satisfaction	Value for money products.



INTERNAL PROCESS PERSPECTIVE : Process And Technology Dimension		
To be more cost efficient.	Develop website for advertising.	To expand market through different business models.

INTERNAL PROCESS PERSPECTIVE : Environment And Social Dimension	
To work on branding for franchise and to pursue enabling technologies to reach a wider market.	To increase use of ‘green’ ingredients.



LEARNING AND GROWTH PERSPECTIVE		
Market expansion	To enhance product and service development skills.	To tap upon cultural and social resources to develop the niche product/services.

Figure 1: Sweet Heaven’s Sustainable Growth Strategy Map

Sweet Heaven’s strategy map shows the ‘sustainable growth’ objectives and the strategy it needs to follow to achieve the results. The top of the map shows Sweet Heaven’s commitment to sustainable growth which are articulated in its mission statements and rephrased as follows:

- To provide a cosy place for drinks and snacks to cater to the taste of locals and tourists in Yangshuo.
- To supply high quality chocolates to the Guilin market.

From these statements it is gathered that Sweet Heaven’s sustained growth would be derived from the innovation of attractive niche products which could attract customers attention and create a unique product range such as incorporating green features into the products. The financial dimension has an objective of profit growth of 10% per annum, a modest objective given that the business is still quite at its infancy stage. It also suggests to improve sales through product variation.

Three strategies are suggested for the customer dimension which are to improve and innovate the product range with products which are perceived to be value for money so as to improve customer satisfaction. Two dimensions are proposed under the internal process perspective – to go green and to use enabling technologies such as the Internet to promote its business especially if she decides to pursue the distribution of Guilin products in China..

The focus group recommended that Sweet Heaven consider using the strategy map to determine its strategic direction and to determine the actions to be taken.

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